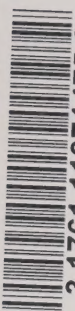


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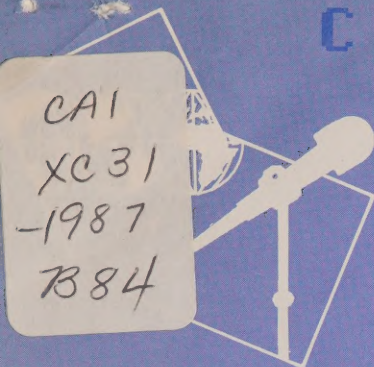
RESPONSE BY *Flora MacDonald.*  
THE MINISTER OF COMMUNICATIONS  
TO QUESTIONS RAISED  
BY THE STANDING COMMITTEE  
ON COMMUNICATIONS AND CULTURE  
FURTHER TO THE MINISTER'S APPEARANCE BEFORE THE  
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## GENERAL QUESTIONS

1. YOU HAVE EMPHASIZED IN YOUR RESPONSE TO OUR REPORT THAT WE SHOULD ENSURE THAT ALL OPTIONS "INCLUDING FAR-REACHING ONES" HAVE BEEN FULLY EXPLORED BEFORE TABLING OUR FINAL REPORT. CAN YOU SUGGEST TO THE COMMITTEE MEMBERS WHAT SPECIFIC OPTIONS YOU BELIEVE WE OUGHT TO EXPLORE? CAN YOU SHARE WITH US ANY RESEARCH YOU HAVE CARRIED OUT CONCERNING THESE OPTIONS?

A: Any government needs to test important recommendations against alternatives. The report of the Broadcast Task Force proposed some specific directions to improve the Canadian programming situation. I share their concerns and agree with much of their analysis of that situation. I wish to ensure, however, that the proposed solutions take full account of all developments in areas such as new technology and in the economics of the television industry, especially where the two are closely interrelated. During my appearance before you on September 22, I raised four areas which could be further explored. I would like to discuss them in greater detail. They are:

(max. new tech. potentials) \* 1) new technologies or approaches to the production and delivery of programming. This includes both the opportunities presented by satellite and fibre-optic distribution systems for new approaches to distribution of present and future services on the delivery side; and, on the production side, the benefits, effects and costs of digitizing the TV plant, enhanced signal quality and stereo TV sound, leaving us in both cases with full opportunity to exploit new technologies;

(market rationalisation) \* 2) approaches to ensuring that private television broadcasters respond to the need for Canadian programming. These could include a combination of regulations and incentives, the purpose of which would be to encourage a programming contribution rather than only to regulate the broadcasters.

rationalise CBC; via semi-privatization of local stations. \* 3) ways of further relieving the CBC of the burden of non-programming costs. These could include ways of achieving the future distribution of the national service without the CBC having to own, fund, operate, maintain and replace its own and expanding system of distribution and production facilities. We must help it insulate its programming priorities against the steady drain from capital requirements, fuelled by new technologies.



*'rationalise' all arts & broadcast funding!*

*These add up to cost saving while maintaining veneer of federal cultural obligations: bold new initiative is unthinkable!*

(4) ways of ensuring that the sum total of public funding in this area, through the CBC, the National Film Board, Telefilm and the Broadcast Fund, etc., is used as efficiently and productively as possible; that, in short, such public funding works harmoniously and in complementarity to give us the best possible mileage from our audio-visual dollar.

I would like to elaborate on aspects of these four option areas in greater detail at this point:

I have said that the two dominant questions we face are:

- ① "How do we improve the quantity and quality of Canadian programming, and  
② how do we do this in the face of technological change, much of which cannot be accurately predicted."

An example of this difficulty is the fact that the 1968 Broadcasting Act was a reflection of its time. It was concerned with an off-air broadcast universe and underestimated cable. Now, twenty years later, we are in danger of focusing too much on existing technologies as the central distribution mechanisms and, by tying ourselves to the present, might similarly fail to anticipate the growth of new satellite developments, fibre-optics, HDTV and other technologies.

*CBC programming*

With respect to the ways of saving on future CBC distribution costs when these new technologies arrive, and re-directing the savings to programming, I asked "whether or not there was a way to direct more money to programming without compromising the delivery of this programming to Canadians." Our prime concern is that, from the overall CBC budget, Canadian viewers should in the years ahead be able to enjoy (visible) improvements in programming.

*Logic behind free market orientation*

On the means of ensuring that Canadian programming goals are met, I compared the approach of more stringent penalties and stiffer conditions - a reinforced regulatory path - with incentives, or, as I put it, "some carrots to go along with the stick." In comparing whether the stiffer regulatory or innovative incentive routes were respectively better for our task, I suggested on September 22 that "I do not believe we can afford to assume that the kind of regulation appropriate to 1987 will continue to work indefinitely," and that I seek options, including incentives of various kinds, which would be "more likely to encourage Canadian programming", and I concluded that "it may well be that an incentive approach is more suited to the future as new technologies of program distribution become more difficult to regulate."



Such an incentive approach would, obviously, be complementary to regulation, just as, for example, Australia's points system is an adjunct to regulation.

Essentially, what we are after are means to enable private broadcasters to reconcile their commercial purposes with public policy objectives for increased Canadian programming. We would like to determine whether there are ways to encourage specific kinds of Canadian programming, such as drama, which are at present seriously under-represented in the program mix.

With respect to existing incentive mechanisms, such as the Broadcast Fund and tax arrangements, I will elaborate later in this response on how these might be rendered more compatible and efficient.

However, quite apart from these four key areas of options and approaches which could be explored further, there is a major underlying concern of this government which I feel must be satisfied in our search for new answers to the content problems in our broadcasting system: the distinct character of the French-language broadcasting sector and viewing market and our need to find specific, tailored solutions. I told the Committee on September 22, that "I thought it was not enough just to have the CRTC (or the broadcast review for that matter) take into consideration the question of the specificity of the French language programming, and that this should be written into the Act rather than left to the CRTC to analyze."

*FRENCH lang. require hands-on approach!*

The French-language broadcasting scene, both in and outside Quebec, and the market realities governing it, dictate that we be prepared to adopt tailor-made solutions in the French context, some of them quite different from, perhaps radically different from, those required in the English-language markets.

At no point in our deliberations can we assume that the French situation is a mere codicil or afterthought and that English solutions can simply be imposed upon or re-jigged to meet French viewing needs and economic conditions. I said to you on September 22 "The size of the market, the nature of the culture, the present popularity of Canadian material, all these contribute to an environment quite different from that in which English-language broadcasters operate."



I accept specificity as an important tenet of broadcasting policy and, consequently, throughout the following responses, you will find specific reference to these differences and to their implications for either policy or regulatory approaches.

On the topic of research in these option areas, I am prepared to enable you to test various theses and options against any data we have been able to assemble. Throughout this response, I identify areas in which my department is carrying out specific studies. As these are completed, we will gladly share them with the Committee. The process of assessing their results and implications can be carried out, informally, in contacts with my officials. In addition to those reports we are forwarding at this time, I include a bibliography related to many of the key issues raised by the Task Force report. It covers research papers commissioned by DOC, the CRTC, the CBC and the Task Force, public and private sector briefs submitted to the Task Force in the course of its study, and other related CRTC policy statements, briefs and academic papers on broadcasting.

2. DO YOU PLAN TO PROCEED WITH ANY CHANGES IN LEGISLATION RELATED TO BROADCASTING OVER THE NEXT FEW MONTHS?  
IF SO, WHAT ISSUES WILL BE ADDRESSED AND WHEN?

A: Yes. I have a number of legislative initiatives related to broadcasting in varying degrees of readiness. Obviously, questions as to the actual timing of the introduction of these measures are not completely within my control. However, as I indicated to the Committee on September 22, 1987, legislative measures designed to improve and strengthen the CBC's financial accountability and management should be introduced in Parliament in the near future. I have also stated publicly that amendments to streamline and update the Radio Act will be forthcoming. Among these, as indicated in the Government's Response to your Fifth and Sixth Reports and as I indicated to the Committee on September 22, will be provisions dealing with unauthorized interception of radio communications through the creation of a private right of action. The Government is also committed to completing the process of copyright law reform. I intend to table a second package of amendments to the Copyright Act based on the principles enunciated in the Government's Response to the Sub-Committee on the Revision of Copyright. A number of the measures contained in this second package will be of fundamental importance to the broadcasting and cable industries.



3. WHEN DO YOU PLAN TO REQUEST CABINET APPROVAL TO PROCEED WITH THE DRAFTING OF A NEW BROADCASTING ACT?

A: As to the overall timing for a new broadcasting act, in my appearance before this Committee recently, I stated that "I am still working within my goal of this present Parliament." We are presently working on all aspects of what will become the various component parts of the new Broadcasting Act, aided by the Committee's Fifth Report. Some of the key parts of this work involve issues such as: the use of conditions of licence; the mandate of the CBC, particularly with respect to non-programming activities; the role of distribution undertakings, and so on. These aspects of our work are still being analyzed. It is still my sincere hope that I will be able to finalize policy proposals by early in the New Year, at the very latest. This is essential if we are to achieve the new Broadcasting Act within this Parliament.

Cabinet Committee calendars and logistics are an important consideration. Our additional research is well underway and I have already had some discussions with my Cabinet colleagues to outline the general directions I propose to take in the search for a new approach to achieving our goals from the broadcast system. But the solutions I propose have to be the right ones to last us possibly as long as another 20 years. Much will happen in technology during that period and we don't want to end up with a twentieth century Act in the twenty-first century world of high technology, much of which we will have difficulty controlling.

4. ON FEBRUARY 5TH YOU INDICATED TO US THAT YOU HAD INITIATED CONSULTATIONS ON A NUMBER OF ISSUES, INCLUDING THE 150 PER CENT TAX DEDUCTION PROPOSED FOR ADVERTISING PLACED ON CANADIAN PROGRAMMING IN CERTAIN CATEGORIES, AND THE CONCENTRATION OF GOVERNMENT ADVERTISING ON CANADIAN PROGRAMMING. COULD YOU SHARE WITH THE COMMITTEE THE RESULTS OF THESE CONSULTATIONS OR YOUR EXPLORATION OF THESE TWO PROPOSALS WHICH ARE DESIGNED TO STRENGTHEN THE ADVERTISING REVENUE BASE FOR CANADIAN TV PROGRAMS?

A: Discussions were indeed held last spring with representatives of the advertising industry, broadcasters and officials in the departments and agencies affected by such proposals. Two fundamental problems going to the heart of their potential viability were identified by those canvassed.



The first had to do with administrative workability, and the second, with effectiveness. The question of workability arose in relation to industry practice in the purchase and placement of advertising. As you are aware, advertisers do not as a rule contract to have their ads placed on specified programs, but rather buy a certain number of spots in a given part of the schedule over a given time period. The broadcaster then places the ads as he sees fit within the terms of the contract.

Because television schedules are subject to pre-emptions and changes from a variety of causes, forcing the broadcaster to have to "make good" on his advertising commitments wherever he can, the linking of advertising to a particular program or category of programming appeared, to those consulted, to create real administrative difficulties. Those difficulties applied equally to the tax proposal and the government procurement proposal.

Presuming that the administrative difficulties could be solved, those consulted were then asked to assess the likely effects of the proposals. With respect to the tax proposal, the most obvious result foreseen was that those who at present advertise on Canadian programs, whether deliberately or as a result of the luck of the draw in placement of spots, would reap a windfall profit for no change in behaviour. A tax expenditure of unpredictable magnitude, which would produce a windfall for at least some of its eligible users, has obvious difficulties from the perspective of tax policy.

Solutions to the problems of (1) identifying those who would reap a windfall, and (2) designing a tax incentive which would exclude them, however, would not deal with the fundamental question of effectiveness. The advertisers consulted agreed that if they were able to deduct expenses at 150%, they would do so, provided that they reached enough consumers to make the purchase as attractive as reaching a larger audience without the deduction. In their opinion, this approach was a very indirect way, perhaps even a perverse way, of dealing with the real issue, which is making Canadian programs attractive enough to reach large audiences and therefore eliminating any tendency by advertisers to prefer non-Canadian programs.

The "windfall" concern obviously doesn't apply to government procurement, but the question of whether focusing on the advertiser is an effective way of dealing with the financing of production is equally valid, whether the advertising purchaser is in the private or the public sector.



In spite of these concerns, we are continuing to explore a number of tax initiatives which could have potential benefits for Canadian programs and programmers. These and the research supporting them are discussed in some detail in the section dealing with Canadian content.

Although significant drawbacks also exist with the government procurement suggestion, I am continuing to discuss the matter with my colleague, the Deputy Prime Minister.

I should reiterate, however, that our purpose is to promote an improvement in the availability and quality of Canadian programming, both of mass-appeal and more narrowly targeted types. I believe such improvements will have greater impact upon the behaviour of advertisers than would any tax measures. In other words, making Canadian, mass-appeal programming that of high quality and entertainment value, will cause Canadian audiences to watch it in numbers that will draw advertisers.

quality  
will  
pay the  
bills:  
but how?



## SPECIALTY SERVICES

1. IN THE PAST, COMMUNICATIONS MINISTERS HAVE ON A NUMBER OF OCCASIONS ISSUED STATEMENTS ON BROADCASTING POLICY. FOR EXAMPLE, IN 1983 THE COMMUNICATIONS MINISTER ISSUED A QUITE COMPREHENSIVE STATEMENT OF THE OVERALL BROADCASTING POLICY OF THE GOVERNMENT, DEALING WITH PUBLIC AND PRIVATE BROADCASTING, THE CABLE INDUSTRY AND SATELLITE DISHES. THERE HAS NEVER BEEN ANY CONTROVERSY SURROUNDING SUCH STATEMENTS. IN FACT, WHEN CRTC VICE-CHAIRMAN BUD SHERMAN APPEARED BEFORE OUR COMMITTEE ON AUGUST 21ST HE EXPRESSED THE VIEW THAT IT WOULD NOT INTERFERE WITH THE ORDERLY PROCESS OF CRTC LICENSING DECISIONS IF THE GOVERNMENT WERE TO RESPOND TO OUR COMMITTEE'S FIFTH REPORT AND STATE ITS POSITION ON THE BROAD POLICY FRAMEWORK WITHIN WHICH THE SPECIALTY SERVICES COMPONENT OF THE BROADCASTING SYSTEM SHOULD DEVELOP. WHILE RECOGNIZING THAT YOU CANNOT NOW ISSUE BINDING POLICY DIRECTIVES TO THE CRTC, DO YOU ACCEPT THE FACT THAT THERE ARE PRECEDENTS FOR GOVERNMENT TO STATE THEIR POLICIES ON BROADCASTING, AND THAT, AS LONG AS THEY AVOID COMMENT ON SPECIFIC APPLICATIONS, THIS IS A LEGITIMATE AND IMPORTANT RESPONSIBILITY OF THE GOVERNMENT?

A: I agree that, on appropriate occasions, the government can make broad policy pronouncements in such areas. I made such a statement before the Committee just prior to the CRTC hearings on new Specialty Services, in setting the scene for the introduction of new services into our broadcasting system. However, you will recall that, at that time, I did so in very broad terms, since I did not wish to touch upon specific applications before the CRTC or upon precise questions being considered by it at that time. For example, I referred to the need for alternative programming services for more specialized "public interest" needs, but indicated no pre-disposition or preference towards a private or public application to provide such a service, let alone for any specific application before the Commission.

Alternative programming and other types of specialty services being studied at this moment by the CRTC will, there is no doubt, have an important effect upon the shape of our system and upon the ways in which viewers satisfy their programming tastes, and upon general-interest, conventional broadcasters.

The CRTC is by no means unaware of these issues and their import. It took these closely into account during the Specialty hearings and I am confident that its deliberations will result in fair and appropriate licencing decisions which will serve the interests of viewers and of the system.



We do have, after all, an independent regulatory authority, which has its own mandate to implement broadcasting decisions and guidelines consonant with our policy objectives for the system. Those objectives are subject to ongoing review, as should be the Commission's approach in fine-tuning its actions to keep in step with those policy objectives. To raise specific issues at this point with respect to certain applications before the CRTC would be prejudicial to the due regulatory process underway and might constrain the Commission's work.

What we are now engaged in is development of a new set of broadcasting policies and a new Broadcasting Act. The closer we get to a Cabinet decision on this, the less appropriate it is for me to be precise about my own policy preferences, because the whole Cabinet has to be involved. The ideal path would be for me to have the benefit of your views; to develop my submission to Cabinet; to obtain a Cabinet approved policy; and to announce it, including specific responses to your recommendations. I hope this is, in fact, the way we will proceed.

2. WOULD YOU AGREE THAT THE RECOMMENDATIONS OUR COMMITTEE MADE IN ITS FIFTH REPORT ADDRESS MATTERS OF BROAD POLICY, RATHER THAN SPECIFIC LICENCE APPLICATIONS?  
IF NOT, WHICH OF THE RECOMMENDATIONS DO YOU NOT CONSIDER TO FALL WITHIN THE SCOPE OF BROAD POLICY?

A: I suggest that there are, in fact, three categories of consideration and response: those touching only upon broad policy items, those which by their precise nature, impinge directly upon specific applications now before the Commission, and, thirdly, broad policy issues which have a particular bearing upon certain of the applications. It is items in the third category that concern me. These include, obviously, questions related to the carriage arrangements for services of a "public interest" nature, and those related to the relationship and ratios between Canadian and foreign services.

It is my perception that the Committee's Fifth Report raised several precise questions related to universal carriage and tiering arrangements. We must not forget that the Commission set the previous guidelines for specialty services and authorised those Canadian and U-S services already active in the system.



It is not the role of Cabinet to make precise determinations as to which services should be carried, how these are to be delivered and their cable inter-relationships. Such decisions are the mechanics of broadcast regulation that serves public policy objectives and are the domain of our broadcast regulator.

3. WHILE THE COMMITTEE MAY UNDERSTAND THAT YOU WOULD LIKE TO KEEP ALL OPTIONS OPEN, AS YOU SAY IN YOUR RESPONSE TO OUR REPORT, DO YOU NOT AGREE THAT THE CRTC HAS NO CHOICE BUT TO PROCEED WITH ITS OWN POLICY DECISIONS ON SPECIALTY SERVICES NOW THAT IT HAS HELD A PUBLIC HEARING? WILL THAT NOT MAKE ANY POLICY FRAMEWORK YOU DECIDE ON LATER EITHER IRRELEVANT, OR EXTREMELY DISRUPTIVE TO THE LICENSED SPECIALTY SERVICES, UNLESS YOU SIMPLY ENDORSE THE POLICY FRAMEWORK ADOPTED BY THE CRTC?

A: The CRTC is the master of its own schedule and of its own proceedings. At this point, it has little choice but to pursue its own regulatory timetable and address both the issue of expanded specialty services and specific applications to provide them.

As I pointed out to the Committee on three occasions during testimony on Sept 22, there really was no way in which, beyond those calls for delays in the holding of specialty hearings, I could simply ask the CRTC not to hold them until our work was done. I said at that time that I was receiving very contradictory signals from interested groups - one day to interfere by telling the CRTC to put the hearings on hold, and the next not to interfere by directing The Commission as to how it should act with respect to new services. As I pointed out at that time, we do not now have the power of direction in legislation to direct the CRTC on policy matters and I hope we will soon be able to legislate this responsibility. In the meantime, we do have the power to review specialty service or other licensing decisions.

The CRTC has pursued its regulatory schedule throughout the life of the present Broadcasting Act and during the various phases of our review of broadcasting, starting with those of the previous government. The dynamics of this balance between the setting of policy and its implementation by the independent regulatory body have worked well enough for twenty years and, although it sometimes has practical shortcomings, it is perhaps the best we can hope for. It has seen us through several previous major policy areas involving public hearings on issues of considerable impact upon the nature of our broadcasting system, such as the introduction of pay television and discretionary services.



The Cabinet's and the Commission's agenda and timetables may or may not always coincide. There have been and will be occasions where there are disagreements in approach or detail and some mechanisms now exist for dealing with such instances. Until the implementation of new mechanisms we will, of course, continue to work with the existing ones.

At the conclusion of the CRTC's present process of evaluating the specialty hearings and applications and rendering its new guidelines and specific decisions on applications, I can then determine their fairness as well as their consonance with government objectives. I can, as in the past, advise Cabinet as to the appropriateness of particular licensing decisions in the light of our policy framework and review.

One of these areas for assessment, for example, will be the issue raised in the Government's response to the Committee's Fifth and Sixth Reports, namely the need to fully examine and take into account the special conditions and circumstances that operate in French-language broadcasting. The CRTC's decisions on specialty services, and our policy directions, must recognize that, in certain areas, different types of solutions and conditions may be called for with respect to the French-language markets than those envisaged or adopted in English Canada.

4. DURING OUR SEPTEMBER 22ND MEETING WITH YOU, YOU STATED THAT THE COMMITTEE'S RECOMMENDATIONS ON SPECIALTY SERVICES:

SHOULD BE TAKEN INTO ACCOUNT BY THE CRTC IN ITS ANALYSIS OF THE VARIOUS APPLICATIONS AND THAT, IF THIS WERE NOT DONE IN ACCORDANCE WITH THE SPIRIT OF THE RECOMMENDATIONS, THEN THERE WAS THE OPPORTUNITY FOR A REVIEW BY CABINET.

ARE YOU SAYING THAT YOU ENDORSE THE SPIRIT OF THE COMMITTEE'S REPORT? IS THE CRTC TO INFER THAT IF ITS DECISION IS NOT IN ACCORD WITH OUR REPORT THEN YOU ARE PREPARED TO TAKE THE COMMISSION'S DECISIONS TO CABINET?

- A: As I stated in response to a previous question, I am convinced that the CRTC, in its hearings as in its deliberations, has taken every relevant input into account, including the valuable and extensive Fifth Report of the Committee and our exchanges in this area. In that report, the Committee developed its reasons for its position on the specialty services issue.



In rendering its guidelines on issue areas and specific licence decisions, the CRTC has a similar tradition of fully detailing the backdrop to its conclusions and providing the rationale for those conclusions.

Should the government, or any other intervenors, feel that their concerns or input have not been taken sufficiently into account, or that the decisions are not in accord with these, I repeat that the mechanisms exist for review. Should other reasons and arguments prove more persuasive than those given for the CRTC's decisions, I would then advise Cabinet accordingly, but let us await the results of the CRTC's deliberations and not pre-judge their appropriateness.

5. AT THE BEGINNING OF THIS COMMITTEE'S HEARINGS LAST FEBRUARY YOU ENDORSED THE TASK FORCE'S PROPOSAL FOR THE CREATION OF ALTERNATIVE FRENCH AND ENGLISH LANGUAGE SATELLITE TV NETWORKS TO RESPOND TO CANADIAN PROGRAMMING NEEDS NOT NOW ADEQUATELY MET BY EXISTING BROADCASTERS. YOU ALSO INDICATED TO THE COMMITTEE AT OUR SEPTEMBER 22ND MEETING THAT YOU WISHED TO SEE THIS OPTION KEPT OPEN. LEAVING ASIDE ANY COMMENT ON SPECIFIC PROPOSALS NOW BEFORE THE CRTC, IS IT STILL YOUR VIEW THAT IN PRINCIPLE THESE ALTERNATIVE SERVICES SHOULD BE CREATED AS PART OF THE REVISED FRAMEWORK FOR SPECIALTY SERVICES?

A: As I told the Committee on September 22, I still find the programming arguments in favour of such services persuasive. I remain personally convinced that such a need exists and should be met. I told the Committee, "If the CBC's mandate were decided to be primarily general-interest or mass-appeal programming, a specialty service could reasonably be regarded as necessary. Many programs, performing arts, for example, definitely need a better window." I do not believe that the CBC can afford to provide that window if we are to pin our hopes on it reaching very large audiences with a considerable quantity of popular Canadian programming. Nor do I believe that the window can or will be provided by conventional private television broadcasters, for similar reasons concerning ratings and revenues.

I do not wish to prejudge the work of the CRTC in this regard, but it has dedicated many months to the consideration of the alternative Canadian programming issue within the specialty services framework.



We assume that its licensing decisions in this regard will either provide the appropriate solutions to the problem of provision of alternative programming of the "public interest" category, or will leave the way open for such solutions in the near future. I reiterate that, like the Committee, I wish to leave the option open for the provision of such programming and consider it a very high priority to review the Commission's decisions in this area or to pursue other appropriate means of providing such services, should the CRTC's decisions prove discordant with policy directions in this area or should the Commission not license services of this kind.

It is also of considerable importance that a specialty service, or any other solution to the provision of such alternative programming, recognize the very different realities and conditions of the two language markets, English and French. We cannot necessarily reach the same conclusions with respect to the need for alternative programming in the French-language market, which is subject to smaller audiences and commercial revenue prospects. Nor can we simply apply English models or solutions to the French-language scene.

6. THE CRTC HAS NOW APPROVED THE FIRST TESTS OF A REVISED TIERING STRUCTURE FOR CABLE TELEVISION. AS PART OF THAT TEST THE CRTC IS ALLOWING THE AMERICAN SPECIALTY CHANNELS NOW CARRIED ON A RELATIVELY HIGH COST DISCRETIONARY TIER TO MOVE TO A SECOND TIER, AVAILABLE FOR JUST TWO OR THREE DOLLARS MORE THAN THE COST OF BASIC CABLE.

THIS CHANGE, WHICH IS NOW PROCEEDING ON AN EXPERIMENTAL BASIS, IS DIRECTLY CONTRARY TO THE RECOMMENDATION OF THE TASK FORCE. THE TASK FORCE HAS SAID THAT ONLY CANADIAN SPECIALTY SERVICES SHOULD APPEAR ON THIS LOW COST SECOND OR EXPANDED BASIC TIER.

WHAT ARE YOUR VIEWS ON THIS CHANGE?

WILL YOU CONSIDER REQUESTING THAT THE CRTC PROCEED NO FURTHER UNTIL A POLICY DECISION CAN BE MADE BY THE GOVERNMENT?

- A: I assume that the Committee is referring to the tiering scheme in the "negative optioning" marketing plan implemented by some Canadian cable companies. I make this assumption because there has not been any decision or change in policy by the CRTC concerning cable tiering since it announced its tiering and linkage regulations (CRTC Public Notice 1984-81, April 2, 1984). The low-priced tiering scheme you refer to in your question does not require CRTC approval nor is it contrary to the CRTC's cable tiering regulations and policies.



Under these regulations, on any single tier of discretionary services, cable systems are required to place one Canadian specialty service for every two American services, unless the cable operator places a Canadian pay-TV service (First Choice or Superchannel) on a tier with U.S. services, in which case there can be a maximum of five U.S. services.

In its Cable Regulations promulgated on August 1, 1986, the CRTC established a policy of being less interventionist, more supervisory in its approach to cable, thereby permitting a more flexible environment for cable systems to respond to the demands of their local markets. According to the CRTC, this policy is designed to encourage innovation in the marketing of cable services, including specialty channels.

A number of cable systems have responded with the so-called "negative optioning" plan. It is based on the premise that the more subscribers there are to specialty services, the less expensive these services will be. This, in turn, generates more subscriber demand for the services. Most cable systems that have adopted this marketing scheme have placed all Canadian specialty services( except the movie channel) and up to five American specialty services on a special low-priced tier. Subscribers automatically receive these additional services for a price of about \$3 above the basic rate, for which they are automatically billed unless they request not to receive the services.

This plan has resulted in a substantial increase in specialty service penetration. For example, in Kingston, where Kingston Cablenet has established negative optioning, more than 85% of subscribers receive the low-priced specialty service tier. When this figure is compared with the specialty service national average penetration rate of 16%, it is clear that the negative optioning plan has exposed a great many more cable subscribers to Canadian specialty services, thereby enhancing their financial position and ability to provide quality Canadian programming.

This tiering scheme is entirely permissible under current CRTC regulations and policies. No applications were made, nor were they required, to institute such a plan. The CRTC did not issue any decisions or announcements for the implementation of the tiering scheme under the negative optioning marketing plan, as it is consistent with existing cable regulations and policies.



It is not the CRTC that is experimenting, then. It is, in fact, cable systems that are being experimental, as the CRTC hoped they would be. Its less-interventionist approach to cable regulation was intended to encourage precisely the innovation that cable companies have shown by establishing low-priced specialty services tiers, which increase the potential audience to the Canadian specialty channels.

On a more general note, as I suggested earlier, it is the government's job, through my portfolio, to establish the broad policy that will achieve our goals, such as for the enhancement of Canadian culture and the role of Canadian programming in that endeavour. It is not our job to spell out in precise detail which service or program type cable companies should carry on which tier.

It is the job of the CRTC to interpret our policy objectives, through its mandate, so as to ensure that the guidelines and decisions it makes in regard to service offerings and distribution arrangements respect both viewer needs and the broader national objectives.

We will, and must continue to, have an independent regulatory body do this job, provided it do so in consonance with those objectives. We cannot interfere with its process by simply instructing it to proceed no farther.

Our underlying concern with respect to programming and services is quite simple: an adequate choice of high-quality Canadian programming and alternative Canadian fare must be available in our system at any point in the broadcast day and a special emphasis must be placed on making more Canadian services available, where these exist, and on favouring and facilitating their access by Canadian audiences. As long as the CRTC's position supports those principles, the specific details about what goes where should be left to its discretion.

7. WHAT PRINCIPLES SHOULD BE ADOPTED IN RELATION TO THE CARRIAGE OF CANADIAN AND NON-CANADIAN TELEVISION SERVICES IF AND WHEN CABLE TELEVISION COMPANIES PROCEED WITH RETIERING?

A: As stated above, questions of tiering and signal allocation must be resolved between the broadcast licensees and the regulator in such a manner as to ensure the primacy of domestic programming and services over foreign signals. Nor is the whole point of the exercise to impose Canadian services on the system or on viewers for the sake of their mere presence.



(6)

What we are attempting to do, as a fundamental objective, is to try to ensure that Canadians can at least have the option of tuning in to Canadian programming and Canadian-originated services that are so attractive they will choose to watch them in substantial numbers rather than having to resort to foreign fare. The U.S. programming and services should and will be available and, if Canadians prefer them, at least it will not be by default or through lack of domestic alternatives. Availability, although crucial, is only half of the equation and solution. We must also ensure the high quality of Canadian programming.

8. IN COMMENTING ON THE PROPOSAL FOR AN ALTERNATIVE NOT-FOR-PROFIT SATELLITE SERVICE YOU STATED THAT THIS COULD HAVE LEGISLATIVE IMPLICATIONS. COULD YOU EXPAND UPON THIS COMMENT AND PROVIDE US WITH ANY INFORMATION CONCERNING THE POSSIBLE MODELS YOU HAVE EXPLORED FOR ESTABLISHING SUCH A SERVICE, INCLUDING THE OPTION OF MAKING LEGISLATIVE PROVISION FOR THE SERVICES?

A: There are possible legislative implications to almost any consideration of the alternative programming issue.

Public service broadcasters, which are non-profit, and which rely on public financial support, might best have their mandates and goals spelled out in Acts of Parliament, as has been the case for the CBC, which relies upon Parliamentary appropriations.

The shortage of "public interest" programming is aggravated by the success of the CBC in achieving mass audiences for popular Canadian programming. We would like to see the CBC continue to serve as the prime instrument for popular Canadian programming goals, and it makes sense to have its productions reach the largest possible audiences. It also makes eminent sense to generate substantial commercial revenues from the sale of advertising on such popular programs, since this helps reduce the cost to the government of providing public broadcast service. However, as I will explain later in discussing the CBC specifically, the need to reach large audiences often precludes it from addressing the needs of more specialized groups in Canadian society for programming that would not attract such large audiences or commercial revenues. The resulting vacuum in the provision of more targeted programming for narrower interests must be addressed. We have few options available for supplying such services and all have legislative implications:

The 'other' option: provide CBC with enough time, money and independence to produce quality (although, initially, unprofitable) programming (including films): develop domestic & international market which would attract viewers, advertisers and REVENUES... = lower govt. costs + money for so-called 'specialised' programming. (This is in keeping with pre-stated belief that quality will pay) → QUESTION: without popular pressure, no incentive in this govt. to pay now for later success! (any FTA connections?)...

- the specialty service solution, through an appropriate decision by the CRTC on applications still before it. There would be implications concerning any pass-through charges to subscribers of a mandatory carriage service, on which the government might have to rule. It might also have to rule on the appropriateness of the public interest decision taken, or have to take further steps of its own if the CRTC did not authorize an alternate programming service.

- providing for such service from within the mandate of the CBC, either through incorporation in its existing service or through the operation of second channels. This could mean new legislative instructions to the CBC through a revised mandate or an Order-In-Council to provide alternative programming and funding of such activity.

- taking other government initiatives to ensure the provision of such services, should they not result from specialty decisions. This could involve declaring their provision to be in the national interest and inscribing such provision in the Broadcasting Act by a separate agency or service, as was done in Britain with Channel 4.

I would once again emphasize that entirely different alternative services approaches might have to be taken in the French and English speaking contexts. It is argued that the French market is much smaller, includes both Radio Canada and Radio Quebec, as well as an alternative service from Europe which could well expand its Canadian component and that these factors could mean a different solution to the "public interest" problem than in the English language market.



## TECHNOLOGY

1. IS IT YOUR VIEW THAT THE EXTENSIVE INFORMATION AND ANALYSIS ON TECHNOLOGICAL ISSUES CONTAINED IN THE REPORT OF THE TASK FORCE IS GENERALLY ACCURATE AND RELIABLE?  
IF NOT, COULD YOU ADVISE THE COMMITTEE OF THOSE AREAS IN WHICH YOU FEEL WE SHOULD NOT DEPEND ON THE REPORT FOR INFORMING OURSELVES OF THE BASIC REALITIES OF TECHNOLOGICAL CHANGE AS IT AFFECTS BROADCASTING?

A: As I told the Committee during my last appearance before it, "technological developments are going to affect the way in which our legislation is written." I said at that time, " I do not want the legislation to be so restrictive that it inhibits the development of new technologies, which might be able to provide us with more and different services." We underestimated the future impact of cable and satellite to cable technology in drawing up the last act and we can't afford to do that again, given the rapid developmental pace of new technology.

The Task Force's description of "what is" is very well done and accurate. Their prediction of "what is to come" may trigger as many different opinions on the rate and direction of technological development as there are experts. We must therefore analyze and project the cultural and regulatory impacts of these new technologies. The Committee now has had the benefit of a detailed technical briefing from senior departmental officials to aid it in its evaluation of the Task Force's predictions and analysis.

In establishing a Broadcasting Policy, we must take stock not only of what technology can do today, but also of the contributions it can make and the impacts it will have on cultural objectives in the years to come. There are several key aspects of new technology which must be addressed: changes in broadcasting definitions brought about by new developments; newer distribution techniques and the extent to which they evade definitions and hence regulation; the adaptability of cable; the conditions of the broadcast spectrum; and new production methods made possible by the latest technology.

( I want to be sure when creating a new Act that we have not been short-sighted by failing to anticipate new technologies and their impact, or, by imprecision or inflexibility, failing to admit them into a systemic approach. You will recall that in the 1968 Act, our predecessors did not really anticipate the growth of cable and, by failing to foresee the significant evolution of satellite delivery, made it all the more difficult to cope with the vast spread of these technologies when they did occur. It is crucially important therefore, that the new Act not get locked into any single technological box. This means that we must take great care in drafting our definitions so that we are neither too closely tied to any given technology and therefore miss something significant nor so broad as to encompass clearly non-broadcasting activities.

how can  
one be  
too broad? (?)

2. IN YOUR RESPONSE TO OUR REPORTS YOU EXPRESS A CONCERN THAT INNOVATION IN BROADCASTING NOT BE INHIBITED BY REGULATORY CONSTRAINTS. COULD YOU PLEASE ADVISE THE COMMITTEE OF ANY REGULATORY RECOMMENDATIONS IN OUR SIXTH REPORT YOU FEEL MIGHT UNREASONABLY INHIBIT INNOVATION? WHICH OF THE COMMITTEE'S LEGISLATIVE RECOMMENDATIONS IN ITS SIXTH REPORT DID YOU FEEL MIGHT CLOSE OFF TECHNOLOGICAL CHANGE OR INHIBIT THE DEVELOPMENT OF NEW TECHNOLOGIES? IN WHAT WAY WOULD THEY DO SO?

A: With respect first to regulatory constraints, I am concerned about the stultifying effect of simply enforcing regulations more strictly. The broadcasting environment is becoming more of an open system rather than a closed system amenable to straightforward application of rules. I would like to ensure that the regulatory framework effectively rewards broadcasters and cable companies which seek to adapt and thrive in the face of competition from new technologies. Existing broadcasting undertakings will have to make a stronger contribution by way of higher quality programming and services if they are to maintain the loyalty of Canadian audiences.

Regulations which prescribe in considerable detail their programming schedules or which deny flexibility in offering and marketing services would not be productive. There will always be regulation, but we can be more selective in what we insist upon as essential.

Second, on the legislative recommendations I would like to draw the Committee's attention to the legislative definitions.



This area is crucial in defining the scope of broadcasting regulation and in determining how different services are singled out for regulatory treatment. Certain factors are appearing on the horizon, such as the introduction of digital, fibre-based communications, will likely result in new types of services being delivered to the home, many of which may use the television set for display. As I suggested in my September 22 remarks to the Committee, we need to distinguish more clearly between what we mean by television programs and telecommunications services.

*narrow definition of "Culture"* → The legislative definitions proposed by the Committee seem to seek to extend the CRTC's reach to all modes of program distribution and to all types of video programming displayed on a TV screen. This could go well beyond broadcasting to include such things as interactive data bases, video catalogues, and other forms of interactive video services., which may be of no particular cultural concern.

It is my hope that we can arrive at definitions which allow for a greater focus of broadcasting regulation while at the same time clearing unintended roadblocks to the introduction of new services.

3. WOULD YOU AGREE THAT THE MOST SERIOUS FLAW IN THE PRESENT BROADCASTING ACT IS THAT THE DEFINITION OF "BROADCASTING UNDERTAKING" DOES NOT GIVE THE FEDERAL GOVERNMENT CLEAR AUTHORITY OVER POST-1968 TECHNOLOGIES LIKE SATELLITE-TO-CABLE DELIVERY?  
DO YOU INTEND TO RECTIFY THIS IN A NEW ACT, AS OUR COMMITTEE PROPOSED? WILL SATELLITE-TO-CABLE NETWORKS BE COVERED?

A: As I stated earlier, the 1968 Act did not anticipate the cable and satellite-to-cable universe, and at this point in time, we must be able to catch future trends in the spirit of the new Act.

Without necessarily being our most serious problem, it is a concern that the existing definitions do not clearly deal with satellite-to-cable services.

In fact, as I pointed out previously, some aspects of satellite distribution still confound the regulatory agency or even the law. It is my intent to address developments such as these on a clear basis in the new legislation. The existing definition of "network" has been applied by the CRTC to cover Pay-TV and Specialty services, among others, which rely on satellite-to-cable technology and other technologies for distribution.

However, as I have said, we must try to look beyond the technology of today to capture new technologies still on the horizon.

4. AN IMPORTANT PART OF THE DEBATE ABOUT THE IMPACT OF NEW TECHNOLOGIES ON BROADCASTING INVOLVES THE POTENTIAL DEVELOPMENT OF NEW INTERACTIVE SERVICES.

IN AN ECONOMIC PROFILE OF THE CANADIAN CABLE INDUSTRY, OF MARCH, 1986, THE CONSULTING FIRM, MOSS ROBERTS AND ASSOCIATES CONCLUDED THAT:

TO DATE, NEITHER HOME INTERACTIVE NOR INSTITUTIONAL DATA SERVICES HAVE PROVED VIABLE, EVEN ON A STRICT VALUE-ADDED BASIS. (I.E. WITHOUT COST SEPARATION) SIMILARLY, EMERGENCY ALARM SYSTEMS, LONG TOUTED AS THE "HARDEST" OF THE NEW GENERATION OF CABLE SERVICES, HAVE FAILED TO DEVELOP BEYOND TEST BED SITUATIONS. (PAGE 71)

DO YOU AGREE WITH THIS CONCLUSION?

IF SO, WHAT ARE THE IMPLICATIONS FOR THE INTRODUCTION OF INTERACTIVE CABLE TECHNOLOGY AND SERVICES?

- A: I think there is much truth in the conclusion of the study quoted. The laws of the marketplace largely govern the viability of such new services. This is often determined by several factors, including the type and quality of the services offered, or even the energies with which they are advanced. Once demand exists, it alone can drive the new systems.

As far as future policy implications are concerned, I think that it is useful to encourage market experiments of new services. Our policies should allow new services to be tested in the market and adjusted with the minimum of regulatory constraint. In this way, I think that better services will evolve to satisfy future needs of consumers.

This process depends on the changing attitudes of consumers as well as the ingenuity and marketing ability of our businesses.

Experience shows that some services require considerable investment before the right mix of price and quality of service coincides with sufficient consumer demand.



Policies should not hinder businesses from learning as much as they can from these experiments - one experiment may not lead directly to a useful approach but a series of experiments could bring us to socially useful and economically successful innovations. I would certainly not conclude from present experience that there is no significant future for interactive cable technology and services.

5. THE TASK FORCE REPORT CONCLUDED THAT "EVEN BY THE TURN OF THE CENTURY.... HDTV (HIGH DEFINITION TELEVISION) IS NOT EXPECTED TO BE THE GENERAL STANDARD FOR CONSUMERS." (PAGE 59) IN REACHING THIS CONCLUSION THE REPORT REFERRED TO A STUDY DONE FOR THE DEPARTMENT OF COMMUNICATIONS IN 1985 BY THE NORDICITY GROUP. DO YOU SHARE THAT VIEW OF THE TIMETABLE FOR IMPLEMENTATION OF HDTV?

A: The "turn of the century" is almost upon us and new broadcast legislation has to prepare us for the era of enhanced or high definition television now. We cannot simply wait until it comes upon us and try to adjust accordingly. If we simply wait for it to happen, competing American services will get there long before us and Canadian broadcasters and programs will feel the immediate consequences. That is going to mean a concerted effort to make sure it all happens in parallel here in Canada, and that we are ready for it to happen, not simply sceptically resigned to its eventual possibility.

The Nordicity Group report on TV Technology to which you referred stated that:

"While the exact entry date of these services is as yet unclear, technically these services could proceed almost immediately. Expansion of higher definition services to the general home consumer market will likely have occurred by the early 1990's.

Based on market projections, these services are predicted to be well on their way by the year 2000, with market penetration in the U.S. of high definition receivers expected to be 25% to 65% and 14% to 30% in Canada." (page 172)

Whether one agrees with the precise calendar of the "early 90's" advanced by Nordicity, their conclusions are the appropriate ones as to the impact of HDTV.

They conclude that these new technologies are expected to result in "substantial favourable or unfavourable impact on Canadian program production, depending on how quickly Canada can produce in HDTV standards". Obviously, policy decisions in this area today are crucial to the future of Canadian broadcasting and planning for that not-so-distant future is imperative.

6. IN ITS REPORT, THE TASK FORCE NOTED THAT BELL CANADA HAD ARGUED THAT CRTC REGULATIONS (REQUIRING OWNERSHIP BY CABLE COMPANIES OF AMPLIFIERS AND DROP-WIRES AND THAT THE TELEPHONE COMPANIES LEASE THE WHOLE CABLE TO CABLE COMPANIES) WERE AT PRESENT HINDERING THE EXTENSION OF FIBRE OPTIC CABLE INTO THE HOME.

WHILE THIS IS CLEARLY NOT THE ONLY CONSTRAINT, ARE YOU PREPARED TO SUPPORT MAKING CHANGES TO THESE CRTC RULES IN ORDER TO ENCOURAGE FASTER INSTALLATION OF FIBRE OPTIC CABLE?

- A: It is quite possible to envisage the issuance of different licences for each medium of delivery. Furthermore, a licence-holder can lease a fair portion of his equipment. What really matters is that the licensee should be able to re-package, distribute and control the integrity of its programming or information package for which it holds a licence. The precise details of implementing these principles might vary according to the circumstances and to the conditions of the day. What is fundamental, however, is that the legislation permit the inevitable evolution of the regulations governing this area.

As I have previously indicated, I am seeking a regulatory framework which allows industries to evolve in a technology-neutral as opposed to a technology-restrictive fashion. This means that the cable industry should not be constrained in its choice of the most effective technology to deliver programming.

The CRTC's existing cable plant ownership rules were designed to ensure that cable licensees had effective responsibility and control over program distribution, even where part of the distribution plant was leased from the telephone companies. I think I should make it clear that I am not in favour of changing these rules solely to encourage faster installation of fibre optic cable by telephone companies. I am in favour of allowing cable companies the freedom to explore new arrangements for programming distribution.

market  
driven  
approach:  
implications?



CBTC  
power  
impl.  
But, before I would agree with the removal or alteration of the cable plant ownership rules I would want safeguards in place to make certain that the regulator retained the means to review the terms and conditions of any new distribution arrangements. This would ensure that the licensee would be able to fulfill the program carriage responsibilities that holding a licence entails.

7. IN YOUR REMARKS TO THE COMMITTEE, YOU STATE THAT IN DEALING WITH THE DISTRIBUTION STRUCTURE OF THE INDUSTRY THE TASK FORCE NEEDED TO ASSESS TECHNOLOGICAL CHANGES. YOU WENT ON TO SUGGEST THAT WHILE THE BASIC CONCLUSIONS OF THE REPORT MAY BE THE RIGHT ONES FOR 1987, THEY MIGHT NOT BE FOR 1997. WHICH OF THE TASK FORCE'S CONCLUSIONS ABOUT DISTRIBUTION TECHNOLOGY DO YOU THINK ARE OPEN TO QUESTION AND WHY?

A: As I noted above, the descriptions of technologies provided in the Report are very well done. It stated, with justification, that many of these technologies will not be widely adopted by consumers within the next 10 to 15 years. The conclusion the Task Force seemed to draw from this is that we need not consider these new technologies until the turn of the century. However, these technological changes are beginning today, and how we deal with them now will determine their impact on Canadian broadcasting 10 to 15 years from now.

I repeat the principles outlined in answer to question #6 and would like to stress the importance of emerging cable distribution methods as a means of easing the congestion and overcrowding in conventional off-air delivery systems in the years ahead.

We must consider the possibility of permitting entrepreneurs in various regions of the country to choose from among various appropriate distribution technologies, in step with their growth and progress in such areas as, for example, fibre optic delivery.

8. YOU ALSO NOTED IN YOUR COMMENTS TO THE COMMITTEE THAT MUCH OF THE TECHNOLOGICAL CHANGE THAT OCCURS "CANNOT BE ACCURATELY PREDICTED". SINCE THIS IS THE CASE, IS IT NOT NECESSARY TO DRAFT LEGISLATION BASED ON WHAT CAN BE FORESEEN, AND TO MAKE LATER AMENDMENTS IF NECESSARY TO REFLECT ANY UNEXPECTED TECHNOLOGICAL CHANGES?

A: We know how difficult it is to amend legislation and the demands it makes on Parliament. My fear is that if we deal only with what is known in 1987, we will have created legislation that is quickly obsolete and will not be able to address the question again for at least ten years.

The future, of course, cannot be predicted with certainty, but government policies can play a large role in influencing it. The government should surely be proactive in the evolution of broadcasting and not simply passively reactive.

I believe it is preferable to have a piece of legislation that is flexible enough to allow and permit technological development and minimize regulatory impediments to inevitable technological evolution.

on what basis is this preference made?

9. SHOULD COMPANIES AFFILIATED WITH THE TELEPHONE COMPANIES OR OTHER TELECOMMUNICATIONS CARRIERS BE ALLOWED TO HOLD LICENCES TO OPERATE BROADCASTING UNDERTAKINGS AS DEFINED IN THE 1968 ACT?

A: As I have explained on previous occasions, I will recommend that the government use its powers under the existing Broadcasting Act to prohibit telephone companies and their subsidiaries from holding broadcasting licences. The rationale can be explained by looking at the nature and obligations of each industry's business. Telephone companies are common carriers required to provide equal access to their facilities without taking advantage of their monopoly power and without influencing the content of their transmissions. Cable companies have an entirely different business as packagers and distributors of programming services in compliance with the cultural requirements of the Broadcasting Act. From the point of view of telecommunications policy, telephone companies should follow their important obligations as common carriers.



CBC

1. TECHNOLOGY HAS MADE IT POSSIBLE TO DELIVER TV SIGNALS WITHOUT THEM BEING TRANSMITTED OFF-AIR. ARE YOU PREPARED TO CONSIDER REDUCING OR ELIMINATING THE OFF-AIR TRANSMISSION OF CBC'S TELEVISION SERVICE?

A: One can affirm from the existence of a Parliamentary appropriation for the CBC that as many Canadians as practically possible should be able to receive the signals of the national service without further payment. As I told the Committee on Sept 22, "In one way or another, Canadians are going to receive the CBC. There is no question about it. What I want to know is what is the best way. We are talking about mechanisms here."

Whatever the options considered or adopted, the present, basic services of the Corporation will, no doubt, continue to be offered, free, over the air. However, in 10 or 15 years, off-air transmission, which is extremely costly, may not be as technically vital in all locations of the country. It may be that new private services, or future services of a discretionary nature, such as HDTV, might be offered via satellite only, as discretionary add-ons.

My department is studying a wide variety of options for delivering the TV signals of the CBC in light of the changing distribution environment. There are, for example, some areas of the country where cable penetration is already extremely high and where only a very small portion of the population relies upon over-the-air reception of the CBC. It is possible to envisage that, in the future, the CBC signal might be delivered primarily by satellite-to-cable for the majority audience, with supplementary carriage by affiliates for the non-cabled viewers.

Let me emphasize one very important point. In all of our studies and considerations, there is a fundamental assumption that there must be no reduction in the availability of the CBC's programming to Canadians. All options are predicated on Canadians still having full access to the existing CBC services. Certain affiliate arrangements could add to both the choice and quantity of local programming available through increased programming by the private affiliate. The question is one of cost effectiveness for different methods.

It should be stressed, however, that we cannot make the same assumptions for the provision of French-language programming by Radio Canada and that the issue of distribution of the CBC's French signals must be examined in its own context. The English and French networks share distribution facilities and even personnel and other resources in French-minority areas outside Quebec. Studies of alternate distribution arrangements in English regions will, consequently, have to determine the effect that such arrangements would have upon the provision of French-language service. It should be remembered, for example, that the task of the French minority operations is partly to provide audiences with a regional flavour to an otherwise Quebec network signal.

In our examination of alternative means of distributing the services of the CBC, short-term financial benefits would not be the main target, nor might they be as apparent as the longer-term gain of sheltering the Corporation from the much higher cost of adapting to new technologies and of replacing or upgrading its present technical facilities, many of which are already obsolete.

2. CBC NOW MAKES ITS TV PROGRAMMING AVAILABLE BOTH THROUGH LOCAL STATIONS WHICH THE NETWORK OWNS AND OPERATES AND THROUGH AFFILIATED PRIVATE STATIONS. ARE YOU PREPARED TO CONSIDER MAKING THE CBC'S NETWORK SERVICE AVAILABLE TO AN INCREASING DEGREE THROUGH PRIVATE AFFILIATES RATHER THAN OWNED AND OPERATED STATIONS?  
WHAT DO YOU THINK ARE THE IMPLICATIONS OF SUCH A CHANGE FOR THE CBC, BOTH FINANCIALLY AND IN THE CHARACTER OF ITS PROGRAMMING?

A: Again, use of private affiliates is only (one) option. Examination of a wide variety of delivery options is required. One possible future option, particularly in terms of the new distribution technologies or new coverage areas for current services, is relying upon arrangements with private affiliates or community groups, alone, or in combination with satellite-to-cable delivery of the network programming package. Such new affiliates could, for example, undertake to ensure the delivery of network programming by one of two means, by inclusion of reserve network programming in their own schedules, or by "twin-stick" arrangements in which they agree or undertake as conditions of licence, to provide the CBC signal via parallel UHF rebroadcasts for the uncabled viewers.

CBC  
delivery  
options:



As I have indicated, the challenge is to ensure that as great a proportion as possible of the CBC's budget is directed to the Corporation's programming. If the changes required by the integration of new technologies can be accommodated in a fashion which would continue to guarantee the availability of the Corporation's services without the requirement for budgetary increases directed simply to the technical infrastructure, surely this would be a considerable achievement. I believe we must fully explore all options which show promise in this regard. The financial implications for the CBC of any plan which would lead to a larger programming budget are certainly positive.

*Smoke & mirrors?*

By implication for its programming character, the CBC could in the future increasingly concentrate its resources and energies on its national programming mandate, as well as on providing a stronger regional presence, by including in its national mix and regional material program types not undertaken by local private stations. The viewer, in turn, could benefit from a stronger local presence, afforded by the local affiliate, with no reduction in the Corporation's regional and national service. However, the general programming goals for Canadian content would have to be assured in any such new arrangements, and viable formulas are not immediately apparent.

While the mixed approach through owned and operated stations and private affiliates is an economically sound one that has worked in many instances, future affiliate arrangements would have to be refined for the purpose of advancing the goals of public programming policy. The existing CBC affiliates are often inclined to present as few reserve programmes as possible, to the detriment of the national service. The CBC has often signed special affiliation agreements, either of the "twin-stick" variety or with respect to siting of transmitters, which have guaranteed delivery of virtually the entire network service, via privately-owned hardware. Such arrangements might perhaps be resorted to more frequently in the future.

Consequently, it would be appropriate to encourage a pragmatic approach on a case-by-case basis, determining the best formula from one regional location to the next. It should be noted however, that the issue of control over the distribution hardware inevitably affects or colours questions related to control over content and responsibility for it. Obviously in the case of existing facilities this is a matter to be dealt with by the CBC management and the CRTC in the exercise of its regulatory and supervisory responsibilities.

(As new technologies such as HDTV are introduced, however, I believe that public policy can and should clearly indicate that the expanding ownership of technical infrastructure by the CBC, at the expense of programming budgets, should be very much an option of last resort.

3. WHEN YOU RAISE WITH THE COMMITTEE THE OPTION OF HAVING CBC PROGRAMMING DELIVERED BY PRIVATE STATIONS AND CABLE COMPANIES RATHER THEN CBC STATIONS, IS IT CORRECT TO ASSUME THAT YOU ARE TALKING ONLY ABOUT TELEVISION?

Our present studies are largely concentrating on the television distribution systems for the future, where the argument for infrastructure not owned by the CBC is more evident and persuasive. It should be noted that the CBC, internally, has also completely reviewed its radio services, including a wide variety of other distribution options. I would refer you to the CBC Radio Development Project Report of September 30, 1983.

4. ARE YOU PREPARED TO CONSIDER HAVING CBC RADIO CARRY ADVERTISEMENTS IN ORDER TO GENERATE ADDITIONAL REVENUE?

I can tell you that my personal opinion is that it would not be appropriate to disturb the equilibrium in CBC Radio programming by the re-introduction of radio advertising. Besides, the limited financial benefits to the CBC do not seem to justify the negative impact ads would cause in radio formats and among the listening public.

I understand that the CBC's Board only recently re-examined this previously abandoned source of financing as a means of meeting shortfalls, but considered the potential gains to be insignificant compared to the disruption of its non-commercial radio philosophy. This does not rule out the possibility that future conditions or services might be approached from a commercial perspective and that the issue might not have to be revisited from time to time, particularly in the area of prestige sponsorship.

5. RECENTLY, CBC TELEVISION HAS BEEN BECOMING DEPENDENT TO AN INCREASING DEGREE ON ADVERTISING REVENUE. DO YOU THINK THAT THIS GROWING RELIANCE ON ADVERTISING REVENUE WILL AFFECT CBC'S ABILITY TO PROVIDE PROGRAMS THAT REFLECT ITS SPECIAL RESPONSIBILITY AS A PUBLIC BROADCASTER?

A: CBC's increasing reliance on television advertising revenues has mixed benefits and implications which we must recognise and accept.

Why a recognition  
neg. impact of  
ads in radio  
NOT in T.V.?



①, ②, & ③ are all debatable;  
② is a perversion;  
③ ain't necessarily so!

Earned revenues have two benefits: ① On the one hand they relieve the burden on the public purse; ② on the other hand, they are a by-product of success in programming. ③ They would not be generated were advertisers and viewers not supporting popular, mass-appeal CBC programming. In that sense, they both support the public endeavour and confirm the popularity and effectiveness of CBC programming.

a rather narrow & somewhat unenlightened view:

A negative consequence to that success with mass-appeal production and scheduling is that it can tend to mirror the programming of other mass-appeal broadcasters and to work against the innovative, the untried, the controversial or the items of minority appeal. The victim is usually Canadian programming of a more specialized nature - documentaries, regional productions, arts programming, and shows for special interest or minority groups, since such programming would not generate large aggregate audiences or commercial revenues. In that sense, yes, a commercial posture affects the CBC's ability to reflect its special responsibilities. Our policies must ensure that an appropriate means be found to provide and fund that special, alternate, possibly non-commercial, programming.

Yes.

Overall, I believe that audience success will be earned by high-quality, Canadian programming, and the experience of the last two years works to support this. What the CBC and other programmers need is the means to develop such programming effectively.

6. IF THE CBC WERE TO REDUCE THE NUMBER OF OWNED AND OPERATED (O & O) STATIONS IT HAS, DO YOU THINK THE CBC WOULD HAVE TO MAINTAIN AT LEAST ONE O & O STATION IN EACH REGION, OR IN EACH PROVINCE, AS A PRODUCTION CENTRE WHICH COULD SERVE THE REGION OR PROVINCE AND FEED THE NATIONAL NETWORK? DOES CBC NEED ROOTS IN THE REGIONS IF IT IS TO SERVE THE COUNTRY EFFECTIVELY?

A: On the face of it, this approach might have merit. However, the research scenarios which inspired the question are not based upon a generalized elimination of owned and operated stations and their systematic replacement with new affiliated stations. As previously noted, only a case-by-case, region-by-region approach could determine the appropriate arrangements.

This will naturally be done in the normal process of events, by the CBC management and with the necessary involvement of the CRTC.

With respect to the question of CBC roots, there is no doubt that the CBC has a mandated obligation to reflect the regions both to themselves and to the country at large. The CBC argues it needs to establish its roots in these regions in order to reflect and represent them, as well as to encourage regional audiences to identify with the CBC presence and programming. The question then becomes, at what point do regional roots take on local expression and how does one distinguish between the two.

The CBC's regional obligations are quite clearly spelled out in the Broadcasting Act and could be given greater focus. The Act states that the CBC should serve:

"...the special needs of geographic regions, and actively contributing to the flow and exchange of cultural and regional information and entertainment..."

The Task Force and your Committee have reiterated that principle and I would hope the CBC, as presently distributed, or in any other model, could concentrate on that regional mandate in a manner which complements and goes well beyond that undertaken by the local private stations. There are, of course, instances where the separation between regional and strictly local activity is not crystal clear, due to the concentration of provincial or regional population in one metropolitan area, but adjustments could be made for such situations.

7. DO YOU SEE THE MAINTENANCE OF EXISTING O & O FRENCH-LANGUAGE STATIONS TO SERVE THE PROGRAMMING NEEDS OF FRANCOPHONE MINORITY POPULATIONS THROUGHOUT CANADA AS AN IMPORTANT FUNCTION OF CBC?

WOULD YOU AGREE THAT ARRANGEMENTS WITH PRIVATE AFFILIATES WOULD BE AN UNLIKELY OPTION FOR SUCH SERVICES?

- A: This crucial question underlines the distinct nature of the French-language programming sector and its particular problems. Radio Canada can hardly be said to have the equivalent of television O and O's outside Quebec, with the exception of Moncton. Decisions concerning English O and O's would, inevitably impact upon those French regional operations outside Quebec. The French regional outlets in such areas share English facilities and resources.



They take French network programming, emanating from Montreal and largely for a Quebec audience, and enhance it regionally for consumption by minority French audiences. And, while the regional stations offer a valid service for minority audiences, certain portions of the schedule, especially on radio, could well be filled by contributions from the community broadcast sector. It does, in fact, seem unlikely that arrangements with private affiliates would serve French minority needs as well as they serve English regional needs. However, it is possible that one might envisage agreements with affiliates for any new services in French of a more specialized nature. We cannot overlook the possible contribution which might be made by the community broadcasting sector in this regard. For example, a community service in a given French minority area could become the originator of regional programming, which it would feed at designated times into the re-broadcasting transmitters of the French network service.

8. HAS THE DEPARTMENT OF COMMUNICATIONS DONE ANY STUDIES WHICH WOULD DOCUMENT THE NET FINANCIAL IMPACT OF REPLACING O & O STATIONS WITH AFFILIATES IN PARTICULAR MARKETS? IF SO, COULD YOU PLEASE SHARE THAT INFORMATION WITH THE COMMITTEE?

A: A departmental study is presently underway on the respective merits of a wide range of signal delivery options that might be available to the Corporation through new technological approaches in planning new or expanded services. The Department would be glad to share the final results of this research.

With respect to relying upon arrangements with private affiliates for such services, the CBC has itself acknowledged that, given the cost of creating its own production and distribution plants, resorting to affiliates can prove an efficient and economic mode of distribution, provided network scheduling requirements can be met. The Corporation simply has to compensate the affiliate for its share of commercial revenues, and/or for lease of the transmitters, usually succeeds in obtaining a satisfactory commitment to reserve network scheduling, and is thus relieved of the cost and responsibility of building a station, transmitters and a production capacity, not to mention the problem of finding an available VHF frequency in the area.

9. SINCE PRIVATE SECTOR TELEVISION BROADCASTERS NORMALLY ATTACH IMPORTANCE TO THEIR LOCAL SUPPER HOUR PROGRAMS AND LOCAL TV NEWSCASTS IN BUILDING UP THEIR AUDIENCES, HOW DO YOU THINK IT WOULD AFFECT THE SIZE OF CBC'S TELEVISION AUDIENCES IF THE CORPORATION WERE TO WITHDRAW FROM LOCAL PROGRAMMING? HAVE YOU HAD ANY RESEARCH DONE ON THIS ISSUE? IF SO, COULD YOU MAKE IT AVAILABLE TO US?

A: Our research on this issue is still in course. That aspect of the above-mentioned research concerning the comparative approaches of affiliate and O and O distribution already indicates that in some "twin stick" arrangements the private affiliate provides proportionately more local programming, including news, than does the average O and O. It may well be that a scenario could be envisaged by which local news and supper hour programs could be provided by a private operator and serve to attract audiences to the CBC network programming which would follow. Again I would emphasize that this is "work in progress" and no firm conclusions have as yet been drawn.

Once our impact research is complete we will gladly share it with the Committee.

10. HOW WOULD YOU DISTINGUISH LOCAL PROGRAMS FROM PROVINCIAL OR REGIONAL PROGRAMS, PARTICULARLY IN PROVINCES SUCH AS MANITOBA OR BRITISH COLUMBIA, WHICH HAVE MUCH OF THEIR POPULATION IN A LARGE, DOMINANT METROPOLITAN CENTRE?

A: As noted above, the CBC's mandated role is that of reflecting Canada's regions to themselves as well as to the country at large, in a manner and detail not found on private television. It is the responsibility and prerogative of CBC's internal management to interpret and implement its regional programming policies, and to distinguish to its satisfaction where the line is drawn between regional and local activity.

There are regions where the local/regional distinction is clear and others where it blurs, but a differentiation between local and regional programming should, in most circumstances, be reasonably easily defined.

11. ARE YOU PREPARED TO SUPPORT THE CBC GETTING OUT OF LOCAL RADIO PROGRAMS?



A: As noted previously, the radio context and conditions are substantially different from the television situation and our immediate preoccupation is with CBC television. Given that the CBC enjoys two radio services, unlike television, the same mandate and service considerations do not obtain, nor does the argument that CBC's local activity, in the case of non-commercial radio, robs private broadcasters of revenues. CBC's Basic and Stereo services are, in fact, far more dissimilar from private radio than CBC TV is from private television, even when active on the local scene.

12. WHAT ARE YOUR VIEWS ON THE BEST MIX OF IN-HOUSE AND INDEPENDENT PRODUCTION FOR CBC TELEVISION? SHOULD THE GOAL OF A 50/50 DIVISION FOR ALL PROGRAMMING EXCLUSIVE OF NEWS, CURRENT AFFAIRS AND SPORTS PROGRAMMING BE CHANGED? IF SO, SUBJECT TO WHAT CONDITIONS?

A: I believe that it is in the best interests of the CBC, the viewing public, and Canada's independent production community that the national service draw more of its programming from independent producers.

Introducing more independent productions to the schedule diversifies the source of programming, brings different content perspectives to the viewer and helps private producers gain access to Canada's airwaves. Canada's regional independent producers, particularly those working outside the CBC's two network production centres of Toronto and Montreal find it extremely difficult to achieve network exposure, for a variety of reasons: the pre-occupation with ratings for network shows with U.S. or international sales potential; the concentration of resources and opportunities in the network centres; the limited financial or production resources of the CBC regional centres themselves.

Yet, resorting to independent productions helps the CBC achieve its mandated regional reflection and representation, and enables it to do more elaborate shows which it might not be equipped to do, in-house, at the regional level.

While the presently proposed 50/50 target seems reasonable, the ratios and program categories should not be arbitrarily prescribed, as long as contracting out is advantageous in economic and content terms for public broadcasting.

My Department will be seeking ways, in conjunction with the CBC and other broadcasters, of further increasing both opportunities and financial support for the independent production community.

These  
contradict  
MoC policy:







## CANADIAN CONTENT

1. YOU HAVE RAISED THE ISSUE OF CANADIAN CONTENT REGULATION WITH THE COMMITTEE. ARE THERE ANY PROPOSALS FOR ADDRESSING THE CANADIAN CONTENT ISSUE WHICH YOU FEEL WERE NOT PRESENTED BY THE TASK FORCE IN ITS REPORT, BUT WHICH MERIT CONSIDERATION?

A: When I appeared before the Standing Committee on September 22, I went to some lengths to explain that my central thrust is the improvement of the quantity and quality of Canadian programming. As you know, Canadian content is current primarily achieved through a quantitative approach -- so many hours of programming. Broadcasters meet this requirement. But there is a considerable school of thought that, while the broadcasters meet the letter of the regulation, it has not been effective in achieving the fundamental goals for the broadcasting system as contained in section 3 of the Broadcasting Act.

Therefore, I took some trouble to explain that other approaches should at least be examined at this critical time when we are writing legislation. We must be sure we are not missing complementary methods which may hold promise of providing better quality Canadian programming on the screens of the television receivers of this country.

I outlined to you on September 22 that an incentive scheme, complementing the regulatory approach, might be suitable to the future, when new technologies of program distribution are becoming more and more difficult to regulate. And I stated at that time that a reinforced regulatory system, in the final analysis, might be the preferred course, but that we want to at least weigh it against the other options.

I should tell the Committee that work is underway to determine whether there is a particular incentive fee model which holds promise of achieving our goals. It is still too early to say precisely how such a structure would function, but the concept on which the work is based is quite clear. Broadcasters would be assessed a licence fee, or perhaps a type of performance bond, based on their ability to meet this fee.

In this approach, we would expect that the CRTC would be sensitive to the economic situation of the broadcasters whom it is regulating. It may be appropriate to include specific mention of this in the new legislation, thereby establishing that CRTC regulations must respect both the social and the cultural objectives that are in the public interest, and the economic and financial objectives which the broadcasters have to live by.



Obviously, small, marginal broadcasters would see little change, while other broadcasters could see a significant change in the licence fee presently paid. Instead of additional licence requirements, broadcasters would then have the option of earning back, perhaps through Telefilm, part, or perhaps all, of this assessment, in exchange for presenting additional programming in the categories in which an insufficient supply of Canadian programming is available, and which are central to overall policy goals. The most obvious form is drama.

We need to relate the abilities and dispositions of specific broadcasters to the availability of an adequate programming choice over the system as a whole. The structure of an incentive scheme would enable broadcasters to vary their contribution in certain program types. Any shortfalls could be considered a choice on their part, and with economic effects which could be in part channelled to those broadcasters more committed to the programming types in question.

incentive  
options:

There are clearly a number of methods to structure such a scheme -- rebates based on expenditures; a "points system"; a contract of certain specific programming; funds directed to Telefilm; to name just a few -- and these will need to be closely examined. But the thrust of this is to see whether such an incentive/fee based program would hold the promise of better achieving my central goal of better quality Canadian programming while providing an atmosphere in which the broadcaster can be innovative and flexible to meet changing market conditions, and in which the broadcaster retains more control over programming.

What's  
the likely  
outcome?

It may be that such a scheme could have implications for Telefilm Canada and especially for the Broadcast Development Fund, which has made significant contributions to the goal of increasing the amount of available Canadian, high-quality programming.

This brings me back to my response of August 26, where I asked the Committee to consider whether these alternate options to straight regulatory promises would better achieve our objectives.

I should also stress that the imperatives for increasing the quality and availability of Canadian-produced programming in the French-language market are no less, even if French audiences support their indigenous programming in greater numbers than their English counterparts.

While it is natural to place a high priority on the airing of programming in the French language, including material from foreign French sources and dubbed U.S. shows, the priority of producing as much of that programming as possible here in Canada is even greater. In other words: there is a requirement for French-language content as well as a requirement for Canadian content, and this will result in differences in approaches and solutions in the French market.

*French  
Canada*

2. ARE YOU PREPARED TO ACCEPT A REDUCTION OF THE EXISTING CANADIAN CONTENT REQUIREMENTS THAT THE CRTC NOW APPLIES TO PRIVATE RADIO AND TELEVISION BROADCASTERS?

A: Again, as I told you on September 22, the focus of this exercise is to improve the quality and quantity of attractive Canadian programming available to Canadians.

I am certainly prepared to consider any new mechanism which shows promise of achieving this goal. And it seems to me that we should no longer simply look at Canadian content in quantitative terms - how much programming is available. Other questions are: how many Canadians are viewing our Canadian programs, and whether there are adequate alternatives available in the key program categories.

The area where the shortfalls are most evident at present is in drama. Basically, we are concerned with a system which has an impact not just on the quantity of programming, but on the type of programming and on program types. I recognize the CRTC has been working on methods to achieve the same purpose. I believe that these initiatives are in addition to basic Canadian Content requirements based on quantitative performance.

The challenge will be to find the mechanisms which will favour the kinds of quality Canadian programs which we have demonstrated we can produce, and make them and everyday occurrence.

3. YOU ASKED THAT THE COMMITTEE CONSIDER INCENTIVES OF VARIOUS KINDS AS AN APPROACH TO ADDRESSING THE CANADIAN PROGRAMMING ISSUE. OBVIOUSLY WE WILL DEAL WITH THE BROADCAST FUND, WHICH IS A MAJOR PROGRAM OF DIRECT FINANCIAL INCENTIVES, AND WITH THE TASK FORCE PROPOSAL FOR A TAX INCENTIVE THROUGH GIVING ADVERTISERS A 150 PER CENT DEDUCTION FOR ADS PLACED ON DESIGNATED CANADIAN PROGRAMS. BUT, WITH THE MAJOR CHANGES TO THE CAPITAL COST ALLOWANCE WHICH HAVE GREATLY REDUCED ITS INCENTIVE VALUE, ARE YOU REALLY PREPARED TO PROPOSE TAX INCENTIVES?



ARE THEY A REALISTIC OPTION AT THE PRESENT TIME?  
DO YOU NOT RUN DIRECTLY CONTRARY TO THE DIRECTION THE  
FINANCE MINISTER IS TAKING?

A: The overall purpose of our research is to see whether we might enhance our ability to achieve our programming goals through the use of incentives of various kinds. We believe that the best approach to the question is to look at the whole range of possible mechanisms, and then decide which are most likely to be effective, taking into account all the relevant factors. The fact that, as a government we are moving away from tax approaches, is an obvious factor to take into account. However, as I have indicated in earlier responses, the incentives I am looking at are related to the CRTC licencing process. They aim at concordance with the economic impulse of program production, in the same way as the philosophy underlying tax reform, but they are not tax-based incentives.

That is not to say that there is no place for tax-based incentives. For private producers, the continued existence of some form of tax incentive for investors, is very desirable, since it is one financing approach which does not depend upon funding agencies.

Tax reform has altered tax incentives, but it has not eliminated them. As long as the tax system contains special measures for any industrial sector, I am prepared to argue for their inclusion among the range of Government measures in support of program production. Indeed, my department recently commissioned a study by the consulting firm, The DPA Group (A copy of which I am forwarding to you with this response), into a variety of possible new tax measures. As it is, the current proposals retain a 100% CCA for revenues earned from the film and TV markets themselves. The problem is that this will likely favour productions most apt to gain from sales in foreign markets which are the sorts of projects not necessarily most appropriate for Canadian content in the fullest sense.

DPA  
Study on  
tax  
measures.

The recent changes to the Capital Cost Allowance were prompted by considerations of efficiency. It is questions of effectiveness and efficiency which have also motivated my examination of a variety of non-tax incentives such as assigning a higher value to Canadian drama programs aired in the heart of prime time.

Whatever shape the environment for the production and exhibition of Canadian programming finally takes, it will inevitably be constructed of a mix of regulatory and support mechanisms.

4. WHAT IS YOUR UNDERSTANDING OF THE VIEWS OF PRIVATE SECTOR FILM AND TELEVISION PRODUCERS ON THE IMPACT THAT THE CHANGES TO THE CAPITAL COST ALLOWANCE WILL HAVE ON THE AVAILABILITY OF PRIVATE CANADIAN INVESTMENT IN CANADIAN FILMS AND TELEVISION PROGRAMS?

A: The film and television producers have made a number of representations to various government agencies and departments. The most recent of these was before the Standing Committee on Finance, chaired by our colleague, Don Blenkarn, M.P. on September 8, during that Committee's study of the White Paper on Tax Reform. The Hansard of that meeting provides an overview of their concerns.

The DPA Group study, referred to earlier, does some analysis of the impact of the CCA changes. Focus groups from the industry participated in the study. That study shares the view of the Department of Finance that the CCA will remain an attractive and useful tool for established producers who can obtain significant pre-sale commitments.

DPA Study: Adjustments were recently made to the implementation phase, which "grandfather" television series and extend the old rules for productions already committed. These adjustments should minimize the immediate negative impact of the CCA changes and permit alternatives to be put in place for those most seriously affected. These are: smaller producers, French-language producers, and producers outside the three main production centres.

5. WOULD YOU AGREE THAT THE FINANCING FOR CANADIAN PROGRAMS CAN ONLY COME FROM GOVERNMENT, PRIVATE BROADCASTERS, LICENCED CABLE TELEVISION SERVICES OR PRIVATE INVESTORS? FROM WHICH OF THESE AREAS DO YOU THINK ADDITIONAL FINANCING FOR CANADIAN PROGRAMMING MIGHT REASONABLY BE EXPECTED TO COME?

A: I am concerned about the creation of quality Canadian programs.



Each kind of program is likely to have a different financing formula, according to language, size of budget, program type, forecast sales potential, etc. As it is now, the difference between the production cost and revenues available from this and other markets has to be made up by public expenditures. As our programs become more successful, their revenues will improve and hence the programs will become better able to attract investment from private sources, particularly from Canadian production companies. Additionally, we want to see broadcasters better able to develop projects with higher licence fees.

6. DO YOU FEEL THAT IT MATTERS WHETHER THE CANADIAN PROGRAMMING PROVIDED BY THE BROADCASTING SYSTEM IS IDENTIFIABLE AS CANADIAN?

DO YOU SEE THE PRODUCTION OF CANADIAN PROGRAMS AS MAINLY A CULTURAL INITIATIVE, OR AS ESSENTIALLY AN INDUSTRY DEVELOPMENT INITIATIVE, WITH PRIMARILY ECONOMIC GOALS?

- A. Obviously it matters. That is the whole thrust of what I have said in my appearance before the Committee. The issue is a cultural one. It is the provision of Canadian alternatives. The production and programming considerations are often profoundly economic. They rely on the existence of sound infrastructures in the industry. These points are all explained at length in the publication I released, entitled, "Vital Links".

7. IN PROPOSING THAT WE CONSIDER MOVING AWAY FROM THE CURRENT APPROACH TO THE CANADIAN CONTENT ISSUE, WHICH COMBINES REGULATORY REQUIREMENTS WITH INCENTIVES, TO A POLICY WHICH WOULD BE DEPENDENT ONLY ON INCENTIVES, THE ASSUMPTIONS THAT MUST BE MADE ARE:

- A. THAT THE GOVERNMENT IS PREPARED TO CONSIDER MAJOR INCENTIVES, EITHER THROUGH THE TAX SYSTEM OR NEW DIRECT EXPENDITURES; AND
- B. THAT AN INCENTIVE STRUCTURE CAN BE DEvised THAT WILL BE STRONG ENOUGH TO OFFSET THE ENORMOUS DISCREPANCY BETWEEN THE COST OF CANADIAN AND FOREIGN PROGRAMS -- A DISCREPANCY OF AT LEAST TEN TO ONE.

IS IT REASONABLE TO EXPECT THAT A MAJOR NEW INCENTIVE OR INCENTIVES WOULD BE ADOPTED BY THE GOVERNMENT IN A SITUATION IN WHICH EXISTING INCENTIVES SUCH AS THE CAPITAL COST ALLOWANCE ARE BEING REDUCED OR ELIMINATED?

HAVE YOU CARRIED OUT ANY RESEARCH WHICH SUGGESTS THAT A TAX INCENTIVE WOULD BE DEVELOPED WHICH WOULD OFFSET THE GREAT DISCREPANCY IN COST BETWEEN CANADIAN AND FOREIGN TELEVISION PROGRAMS?

- A. First, I am not proposing we rely only on incentives. I am proposing the current approach be examined against some possible variations designed to encourage broadcasters to acquit their obligations for Canadian content in ways most likely to ensure an adequate Canadian choice in all program types. The challenge is simply to come up with the proper ratio between what I previously described as the stick and the carrot. Regulatory requirements could, for example, be combined with a system involving licence fees redeemable for programming of certain types, with unredeemed fees being allocated to other broadcasters able to program more demanding material such as drama.
- the 'carrot & stick' plan:*

The problem in the past has been that the incentives were fewer and less persuasive than the theoretical constraints which were, in any event, seldom reflected economically by real consequences in cases of non-fulfillment. It is that ratio we wish to look at changing, by encouraging the private sector to conclude that it would be economically more in its interest to contribute to our Canadian programming objectives. I believe they are already beginning to reach this conclusion, in part because of the Telefilm incentives, but it is worth considering if these beginnings can now be usefully accelerated and amplified.

- B. With respect to the second part of the question, our proposed incentives won't alter the cheap acquisition factor but, if we can make it more attractive for Canadian broadcasters, producers and investors to place part of their resources in the production of indigenous programming that Canadians will watch, then at least we will have altered the odds against Canada in some measure.

As I said previously, there is the desire to alter the prevailing economic trend against Canadian production, as part of an industrial strategy, and to provide Canadian talent with increased opportunities, revenues and exposure, but the main goal of such incentive-based measures would be cultural. The underlying motive is, after all, to offer to Canadians an improved, real choice of quality Canadian programs, in both English and French, made in Canada by Canadians. If Canadian creators are making more and better programs, more viewers in this country will choose to watch indigenous productions. It is as simple as that.



8. SHOULD PRIVATE TV BROADCASTERS BE EXPECTED TO CONTRIBUTE TO ACHIEVING CULTURAL GOALS AND TO PROVIDE IDENTIFIABLY CANADIAN ENTERTAINMENT PROGRAMS, OR SHOULD THEY BE EXPECTED SIMPLY TO PLAY A ROLE IN GETTING MORE TV SERIES, MINI-SERIES AND OTHER ENTERTAINMENT PROGRAMS MADE IN CANADA WITHOUT REGARD TO THE CHARACTER OF THE PROGRAMS?

A: Of course they should contribute to the cultural goals. As I stated above, our broadcasting system revolves around cultural goals. And private broadcasters are, after all, an integral part of the Canadian broadcasting system and the goals we set for it.

Furthermore, private broadcasters have shown they can be very proficient producers of Canadian programs. They regularly provide first rate programs, but much more often in news, current affairs and sports than in drama, where the large budgets and risks associated with programs of quality, have been a deterrent. It is currently believed that the risks are greater for "identifiably Canadian" programs, but I am confident that experience will show this to be an ill-founded assumption. Ratings have shown that Canadians do welcome identifiably Canadian shows, and these will be able to earn foreign audiences as well, when their reputation is made.

At the level of popular culture, there is no automatic conflict between commercial and cultural objectives. An audience is vital to both. Clearly, the challenge is to create an environment in which private television broadcasters will produce quality Canadian entertainment programs which make economic sense, and which will be watched.

9. ARE YOU SATISFIED WITH THE CRTC'S CURRENT DEFINITION OF A CANADIAN PROGRAM? IF NOT, WHAT ARE YOUR CONCERNS ABOUT THE DEFINITION? DO YOU HAVE ANY PROPOSAL FOR CHANGING THE DEFINITION?

A. I don't think it is too wise at this stage to focus our energies on a definition made by a regulatory body to implement the present Act. If the mandate and the objectives of the new Act are clear, then the definition of a Canadian program will follow.

*Defn. of  
Cdn  
Content*

The present definition is crafted within the regulatory framework which exists today. It is there to provide a basis for establishing what is a Canadian program -- an important definition in quantitative framework. Obviously, should some other criteria be put in place, then an appropriate Canadian content definition would be required.

Given the emphasis I have placed on the cultural importance of broadcast programs, this should be captured within a definition of a Canadian program.



TELEFILM CANADA

1. INDEPENDENT PRODUCERS HAVE STATED TO THE COMMITTEE THAT THEIR PRINCIPAL PROBLEM IS THE VERY LIMITED PERCENTAGE OF THEIR PRODUCTION BUDGETS THAT ARE COVERED BY THE LICENCE FEE PAYMENTS MADE BY CANADIAN BROADCASTERS. IN EFFECT THEY SEEM TO BE SAYING TO US THAT THEIR PROBLEM IS MAINLY THE LACK OF AN ADEQUATE DOMESTIC MARKET BASE COMPARABLE TO THAT ENJOYED BY INDEPENDENT PRODUCERS IN THE UNITED STATES, BRITAIN, FRANCE OR MOST OTHER COUNTRIES. DO YOU SHARE THIS VIEW OF THE NATURE OF THE PROBLEM FACING CANADA'S PRIVATE SECTOR PRODUCERS?

A: The size of the licence fees paid by Canadian broadcasters may be something of a red herring in the debate about the financing of Canadian production. The fees are unquestionably a much smaller proportion of the cost of production than that available to American producers, for example. However, in terms of payment per capita of audience, they are much higher than those paid in the U.S. or many other countries.

The essential problem is obviously the great difficulty of recovering the costs of certain kinds of production (e.g., of entertainment programming) in a market the size of Canada's. The problem is exacerbated, for English-language production, by the ready availability at low cost of popular American entertainment programming with high production values. While the popularity of cheaper American programming is moderated to some extent in French Canada by language, the problems of a small market are even more extreme.

It should also be stressed that the level of the licence fee is, in the final analysis, less important than the total level of financing available to Canadian producers. Simply boosting the amount the broadcasters pay to get into a program or series will not, in and of itself, automatically increase the likelihood of greater total production activity. It has been suggested that increasing the broadcast licence fee can be a stimulus to feature film production, as for example in the case of the high fee paid by Britain's Channel 4. However, Canadian broadcasters, including the CBC, have made it clear that if they have to pay higher licence fees, without increased revenues, they may well be obliged to do fewer rather than more production projects. The resulting material might be stronger for their added input, but our overall goal of increasing the quantity as well as quality of Canadian shows, would not be met by merely increasing the broadcast licence fee. Higher licence fees do, however, enable broadcasters to control the development of projects more effectively, and we are examining the issue from this standpoint.

Narrow  
focus  
vis a vis  
licence  
fees &  
U.K.'s  
Channel  
4.

These structural problems have been one underlying motive for all of the Government's efforts on behalf of the private production sector, beginning with the improvements in the mechanism of and access to the Broadcast Fund, and followed by the Feature Film and Dubbing Funds.

2. BECAUSE OF THE LIMITED PROPORTION OF THEIR PRODUCTION COSTS RECOVERED IN CANADA, MANY ENGLISH-LANGUAGE INDEPENDENT PRODUCERS SAY THEY ARE FORCED TO DESIGN THEIR PRODUCTIONS TO APPEAL PRIMARILY TO AMERICAN , RATHER THAN TO CANADIAN AUDIENCES, SINCE IT IS THEIR U-S SALES THAT ARE PRODUCING MOST OF THEIR REVENUES. DO YOU ACCEPT THE VIEW THAT THIS IS A PROBLEM?

- A. This issue has already been addressed in previous questions and answers. Making productions in Canada to appeal to an American audience is a legitimate business decision on the part of a commercial producer. The Government would not presume to comment on any such decision, except where public funds are involved.

Yes! The issue is where the target audience is. Our objective is to enable Canadian producers to connect with Canadian audiences. That is what the Broadcast Fund is meant to facilitate. In due course, if we aim at authenticity and excellence, these programs will obtain an international audience. If, however, we aim primarily at the international or American audience, the authenticity might be lost; the activity in question becoming basically industrial, however attractive, and less in need of government funding for that reason.

To question whether the Government considers it a "problem" that private producers feel pressure to make programs which will sell in the American market is to make a black and white question out of one with many shades of gray. The Government would like to see large numbers of truly, identifiably Canadian programs being made. It would also like many of these programs to be popular, and it would be an added bonus if people in other countries also enjoyed them. One school of thought holds that, in order to be internationally successful, a program must be almost "no-name" or blandly universal, without a key national identifying characteristic. However, experience has often shown that considerable international success is often gained with highly nationally distinctive programming with a universal theme or flavour, such as Britain's "Brideshead Revisited," Australia's "A Town Named Alice," or our own Emmy-winning "Anne of Green Gables."



It is perfectly natural that we should wish to produce programs which are not only popular at home but appeal to audiences in other countries. However, I do not think the Government of Canada would be meeting its cultural objectives by subsidizing mostly those programs which could be sustained on an entirely commercial basis, or which downplay Canadian flavour of settings or situations in order to sell better abroad.

3. DO YOU SEE THE BROADCAST FUND AS PRIMARILY A CULTURAL SUPPORT PROGRAM AIMED AT ASSISTING IN THE PRODUCTION OF DISTINCTIVE AND IDENTIFIABLY CANADIAN TELEVISION PROGRAMS OR DO YOU SEE IT PRIMARILY AS AN INDUSTRY DEVELOPMENT PROGRAM?

A: The Fund was created to assure more Canadian programs in the critical categories of drama, variety, and childrens' programming. The memorandum of understanding under which it operates makes it clear that the productions are to be Canadian productions. The goals of the fund are cultural. Its industrial benefits are an important but secondary bonus.

4. WOULD YOU BE PREPARED TO CONSIDER EITHER SUBSTANTIAL CHANGES TO THE WAY THE BROADCAST FUND IS OPERATED, OR ALTERNATIVELY, USING THE SAME FUNDS TO TAKE A VERY DIFFERENT APPROACH TO STRENGTHENING THE INDEPENDENT PRODUCTION INDUSTRY IN CANADA? (AN EXAMPLE OF AN ALTERNATIVE APPROACH WOULD BE THAT TAKEN BY THE BRITISH GOVERNMENT IN ESTABLISHING CHANNEL 4.)

A: The memorandum of understanding under which the fund operates has been changed in several respects since it was first signed in order to accommodate new initiatives or priorities. It would certainly be possible to amend it again if the Government considered it desirable to do so to attain the Fund's goals. The question of whether the Fund's resources could be reallocated elsewhere is more difficult. The Cabinet would have to weigh the merits of any alternative scheme against other government priorities.

It is not inconceivable that other funding mechanisms or schemes might operate, in conjunction with the Fund, to assist and stimulate the production of Canadian programming. We are, for example, examining the possibility of a special fund, earmarked for Canada's independent producers, particularly those in the regions outside Montreal and Toronto, to help them achieve national exposure for their material.

And, with respect to other national models, such as that of Britain's Channel Four, these are all worthy of analysis, and we may find in them methods and approaches that might be adapted to our domestic requirements.

However, the broadcast milieu in the United Kingdom, for example, with only four broadcast services, two of them non-commercial, is altogether different from that which obtains in Canada and it is simply not possible to translate the approach directly into the Canadian situation.

yes,  
but...  
how's about  
some  
creativity?




## STRUCTURAL ISSUES

1. ONE OF THE CENTRAL POINTS MADE IN THE TASK FORCE REPORT WAS THAT MOST OF THE BASIC ISSUES OF BROADCASTING POLICY ARE ISSUES RELATED TO THE STRUCTURE OF THE SYSTEM. FOR EXAMPLE, THE TASK FORCE LOOKED AT THE IMPACT THAT THE SPILLOVER OF ADVERTISING ON U.S. STATIONS AND NETWORKS INTO CANADA HAS ON THE ADVERTISING REVENUE BASE OF CANADIAN BROADCASTERS; IT LOOKED AS WELL AT THE LIMITED DEGREE TO WHICH THE AD REVENUES THAT ARE AVAILABLE IN CANADA NOW FLOW INTO NETWORK STRUCTURES. SIMILARLY, IT LOOKED AT THE IMPORTANCE OF THE STRUCTURE OF CABLE TELEVISION FOR THE DEVELOPMENT OF CANADIAN SATELLITE NETWORKS. ON ALL THESE BASIC STRUCTURAL ISSUES THE TASK FORCE PRESENTED PROPOSALS FOR CHANGE. DO YOU SHARE THE TASK FORCE'S VIEW THAT THE WAY THE CANADIAN BROADCASTING SYSTEM IS STRUCTURED IS OF FUNDAMENTAL IMPORTANCE IN DETERMINING THE POTENTIAL PERFORMANCE OF THE SYSTEM?

A: By "structure," it seems the question refers to the economic considerations that are the basis of the cost-revenue equations governing commercial television production and programming in the United States, and their impact on our own broadcast environment, particularly as evolving technology in distribution methods integrates U-S programming into the Canadian program structure. That is what the whole review exercise is all about.

✓ We cannot close off our broadcasting environment from the economic, technological and programming developments and pressures from outside Canada. We must adapt to these dynamics and make the best of their opportunities and challenges during the life of the new Act. The regulatory and legislative frameworks we provide, and their flexibility to future change, can, of course, shape the system, or at least influence that shaping. But neither legislation nor regulation can insulate the system from the sheer dynamics of a changing physical environment in broadcasting, from the alterations made by the inexorable evolution of broadcast technology itself.

The problems of limited advertising revenues in Canada relate to the size of our market and to the spill-over effect. Bill C-58 and simultaneous substitution are attempts to conserve revenues for Canadian broadcasters. The methods we use to promote the re-investment of revenues in Canadian programming are a central focus of the policies we are examining together. Obviously, private network arrangements in Canada for revenue-sharing and re-investment are relevant, and we are hopeful that the measures we do adopt will work in the direction of encouraging such re-investment at the network level.

 We have been driven for over 20 years by technology - by the art of what is technically possible. What we must try to ensure in our new legislative framework is that programming goals play an equally large role in shaping the broadcast system and that the appropriate technology is harnessed, or at least anticipated and controlled, as an adjunct to or facilitator of those programming objectives.

In recent years, other external factors have also affected the broadcasting system. For example, the advertising revenue base is no longer as certain as it once was; other advertising media are becoming increasingly competitive, thereby affecting the revenues of broadcasters and, consequently, their ability to fulfill commitments. Factors such as these severely test existing structures, and market forces are forcing new alignments and new ways of doing business. Regardless of what kind of broadcasting structure is decided upon, it seems evident that it must be able to permit the individual players as well as the entire system to adjust and reposition itself to the changing environment.

There are also those who suggest that our system has taken on an English-language shape, with policies and regulations tending to force the emerging French-language sector into an English-language model or mode. Sometimes, the English shape or model simply doesn't fit the finite market conditions or additional linguistic requirements of the French-language scene. As I indicated to you in my September appearance, I would like to see some specific reference in the Act concerning the particularities of the French broadcasting scene, rather than leaving entirely to the CRTC the job of taking the French fact into consideration in its analyses. There are, in fact, two distinct systems involved here and, although the underlying Canadian cultural principles and objectives are very similar, the two systems often require quite different solutions. Clearer language in the new Act would help ensure that French broadcasting at least operates in a system with French shape.

2. IN CHAPTER 28 OF ITS REPORT, THE TASK FORCE PROPOSED CAREFUL EXAMINATION OF CHANGING THE WAY IN WHICH THE SO-CALLED "3+1" AMERICAN TV SIGNALS (ABC, NBC, CBS AND PBS) ARE BROUGHT INTO CANADA IN ORDER TO BOTH SATISFY AMERICAN COMPLAINTS ABOUT THE THEFT OF U.S. SIGNALS BY CANCOM AND, AT THE SAME TIME, REDUCE THE IMPACT OF IMPORTING THOSE SIGNALS INTO THE CANADIAN MARKET. THE TASK FORCE RECOMMENDED THAT THE DEPARTMENT OF COMMUNICATIONS STUDY THE FEASIBILITY OF THIS CHANGE. (SEE ENGLISH TEXT OF REPORT, PAGE 658) HAS THE DEPARTMENT CARRIED OUT AN EXAMINATION OF THIS PROPOSAL? COULD YOU SHARE THE RESULTS OF THIS STUDY WITH THE COMMITTEE?
- WHAT ARE YOUR VIEWS ON THE DESIRABILITY AND PRACTICABILITY OF MAKING SUCH A CHANGE, EITHER AS PROPOSED OR IN AN AMENDED FORM?

A: As I indicated in my answer to the second question under the heading General Questions, I will be proposing further amendments to the Copyright Act shortly. Among these will be provisions dealing with the retransmission of copyright works contained in broadcast signals.

Retransmission &  
COPYRIGHT:

FTA:  
"Theft" or  
the collection  
of electronic  
junk mail?

I believe that the proper and prudent course is to deal with the complex copyright issues involved in retransmission, with a view to satisfying any legitimate complaints about theft of signals or of the impact of the importation of such signals.

Work done by the Department to date has raised serious questions about both the desirability and practicability of the plan suggested by the Task Force. Perhaps the most serious reservation is simply the magnitude of change which is envisaged and the enormous consequential disruption of established business practices. I believe less radical alternatives should be fully considered.

3. IN YOUR PRESENTATION TO THE COMMITTEE ON FEBRUARY 5TH YOU INDICATED YOUR SUPPORT FOR BILL C-58 AND FOR SIMULTANEOUS SUBSTITUTION, AS MEASURES WHICH ARE NEEDED BY CANADIAN BROADCASTERS IN ORDER TO PROTECT THE LEGITIMATE RIGHTS THEY ACQUIRE TO EXHIBIT PROGRAMS IN THEIR MARKETS. DO YOU STILL AGREE THAT THESE MEASURES ARE NEEDED?

OTHER COMPLEMENTARY APPROACHES TO ACHIEVING THE SAME PURPOSE HAVE BEEN SUGGESTED, INCLUDING NON-SIMULTANEOUS SUBSTITUTION AND ALSO CRTC RULES PRECLUDING THE CARRIAGE OF U.S. TELEVISION STATIONS OR NETWORKS WHICH SOLICIT ADVERTISING IN CANADA. WOULD YOU SHARE WITH THE COMMITTEE ANY RESEARCH OR INFORMATION YOU MAY HAVE ON THESE PROPOSALS AND YOUR VIEWS ON THEM?

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SNIP?



*Explains!*  
A: It has been a fundamental policy objective of mine to stress that both Bill C-58 (Section 19.1 of the Income Tax Act) and the Simultaneous Substitution regulations of the CRTC are important cultural instruments. The importance of these instruments was recognized during the recent free trade negotiations, where the United States agreed to exempt these measures from the agreement. I believe that this exemption deserves recognition as being a vital achievement for the purposes of Canadian broadcasting and culture.

*Copyright & Re-transmission Rights?*  
When looking at these two instruments, I think it important to remember the rationale for both the Canadian and the American broadcasting systems. Each government licenses stations to serve the citizens of its respective countries - service beyond the borders is merely incidental. Each station's costs are in relation to its domestic market.

With regard to the second part of the question, it might appear, at first glance, that non-simultaneous substitution would respond to many of the problems broadcasters face in this land of many time zones, but there would appear to be too many logistic problems, currently, for implementation of non-simultaneous substitution by the cable industry, particularly in non-computerized systems or during the weekends when some systems are not sufficiently manned. Such measures would also raise serious rights questions.

? The CRTC reviews its regulations every few years, including those with regard to substitution. With respect to proposals for non-simultaneous substitution, the Commission concluded that, at least for the time being, such a scheme, while having obvious benefits, would cause undue confusion in the marketplace, and would impose a degree of regulatory intervention which is not warranted in the present climate.

Regarding precluding carriage of U.S. television stations or networks which solicit advertising in Canada, I believe that the CRTC has considered measures which are somewhat related. For example, prior CRTC approval must be obtained to add any foreign station which commenced operation after 1985. As well, the CRTC has prohibited from cable systems foreign radio stations which solicit advertising in Canada.

Obviously, as the mandates and roles of the various players are defined and adjusted, these support measures may need re-evaluation in light of changing circumstances.

4. WHAT IS THE ESTIMATED IMPACT ON THE REVENUES OF THE FEDERAL GOVERNMENT IF A MULTI-LEVEL SALES TAX AT A RATE OF EIGHT PER CENT WERE IMPOSED ON RADIO AND TELEVISION BROADCASTING? (BROADCASTERS ARE NOW EXEMPT FROM FEDERAL SALES TAX.) WHAT IS THE ESTIMATED GOVERNMENT REVENUE IMPACT OF THIS CHANGE ON THE CABLE TELEVISION INDUSTRY, AND ON THE AUDIO AND VIDEO RECORDING INDUSTRIES?

A: The Minister of Finance tabled the Government's White Paper on Tax Reform in the House of Commons on June 18, 1987. In the White Paper, the Government indicated that it would first undertake broad consultations in three general options on sales tax reform, before it made decisions on the timing and nature of sales tax reforms. The three options are, essentially: a Federal-only Value Added Tax, which would require invoices; a Federal-only Goods and Services Tax which would not require invoices; and a joint Federal-provincial National Sales Tax.

The Minister of Finance is carrying out consultations on the three options, and has not yet come forward with a definite proposal specifying what activities would be included/excluded from the tax base, the resulting impact that exclusions might have on the ultimate tax rate, or the level of the refundable sales tax credit scheme.

Until more details are available on a definite tax proposal, it would be highly speculative to attempt an estimate of final impacts on broadcasters or other related industries.

5. IF THE RESULT IS, AS EXPECTED, A SUBSTANTIAL INCREASE IN GOVERNMENT REVENUES, IS THE GOVERNMENT PREPARED TO CONSIDER COMMITTING AT LEAST SOME OF THIS INCREASED REVENUE TO ENHANCE CANADIAN PROGRAMMING IN RADIO OR TELEVISION? WOULD YOU BE PREPARED TO CONSIDER A MORE TARGETED TAX MEASURE WHICH WAS DESIGNED TO ENHANCE CANADIAN PROGRAMMING? HAVE YOU EXPLORED TAX MEASURES WHICH MIGHT ACHIEVE THIS PURPOSE AND, IF SO, COULD YOU SHARE ANY SUCH INFORMATION WITH THE COMMITTEE?

A: Again, I repeat my answer to the preceding question about the uncertainty and the speculative nature of any response at this time.

I will be continuing my discussions with the Minister of Finance, to provide him with a clear sense of the importance of promoting the financial viability of the broadcasting and program production sectors.

My concern is to ensure that the broadcasting and program production sectors have the financial resources available to provide diversified and competitive Canadian programming.

6. HAVE YOU EXPLORED THE POTENTIAL FOR ESTABLISHING A SECOND PRIVATE SECTOR TELEVISION NETWORK LINKING CONVENTIONAL STATIONS AT THE NATIONAL LEVEL?  
COULD YOU PROVIDE THE COMMITTEE WITH ANY ANALYSIS THAT HAS BEEN CARRIED OUT AND ANY COMMENTS YOU MAY HAVE?  
IF SUCH A NETWORK IS TO BE CREATED, SHOULD IT BE HEADQUARTERED OUTSIDE ONTARIO?

A: I have been aware that the possibility for establishing a second, private, English-language, national network has existed for some time. There are now English-language conventional independent stations operating or licensed from Halifax to Vancouver, and certainly some of these operators have shown some interest in banding together more formally. Many of these, such as CITV in Edmonton, CKND in Winnipeg, and Global in Toronto, already co-operate or operate informal exchanges on a regional or limited network basis.

With respect to creating a formal second private network across Canada, no specific proposal has thus far been made to the CRTC. Whether such a proposal is forthcoming in the foreseeable future depends on the private broadcasters and their assessment of the opportunities and benefits of such a network. As to the location of the headquarters of such a network, although I can see the benefits of such a project being located outside of Central Canada, the question would be up to the CRTC and any applicant to determine. The issue of a second network has been raised in our consultations, but we have no specific research on prospects in this area.

As I told the Committee in September, Canadian quality programming will be central to any new broadcasting legislation. Private independent stations, as an important part of the broadcasting community, will be expected to play their part. Should a network structure, or some other arrangement whereby these broadcasters may maximize their contributions, be appropriate, I am certain that the CRTC will give it serious consideration.

- 7: HAVE YOU EXAMINED ANY ALTERNATIVE APPROACHES TO AGGREGATING THE RESOURCES OF CONVENTIONAL CANADIAN TELEVISION BROADCASTERS?  
DO YOU SEE SUCH AGGREGATION AS AN IMPORTANT FACTOR IN DETERMINING THE CONTRIBUTION PRIVATE BROADCASTERS MAKE TO PROVIDING CANADIAN PROGRAMS, AND PARTICULARLY ENTERTAINMENT PROGRAMS?



A: As I said to the Committee on September 22, my concern is for more and better Canadian programming, particularly in those hours when Canadians watch television most. The cost of producing Canadian entertainment programs has been well documented by both the Standing Committee and the Task Force, and I need not go into that here.

I have told you that I am considering fundamental options. There is the Caplan-Sauvageau and the Committee's suggestion for placing the emphasis on continued regulation and conditions of licence, along the lines of the present model. One assumes the CRTC would be taking into account the resources of individual stations, and would be quite capable of dealing with groups of stations coming together to undertake joint production projects. As I noted above with respect to the activities of regional independent broadcasters, many of these have found merit and satisfaction in pooling their resources on specific projects in order to stretch their production dollars and to enable them to undertake, collectively, projects which would be beyond the scope or means of individual stations.

*encourage  
the pooling of  
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The challenge for this government is to try to make it more sensible and economically practical for private broadcasters to do more pooling in the interests of stimulating the overall production of Canadian shows. If groups of stations come together to produce and schedule quality Canadian programming, we should encourage them to do so in the interests of efficiency, and in order to reinforce their production power, and, we presume, the strength of their productions.

It remains clear, however, that regional and local programming remain central to the Canadian broadcasting system and any aggregation of resources which severely harmed broadcasters' abilities to meet these obligations would be counterproductive.

8. FROM TIME TO TIME, THE SUGGESTION IS MADE THAT THE CBC COULD BE PAID FOR IN PART BY RAISING THE LICENCE FEES OF PRIVATE STATIONS. (TO OFFSET THIS BURDEN PRIVATE STATION CONTENT MINIMA WOULD BE REDUCED OR ELIMINATED.) DO YOU FAVOUR THIS SUGGESTION?

A: While I am in favour of looking at all the options, I have already concluded that such a proposal has two disadvantages. Our preliminary data reveal that not enough "excess" revenue would be generated to add enough new programming by public broadcasters to represent net gains in Canadian content.

Do  
they?  
Why?

Also, it would place the burden of Canadian program production solidly with the public sector, whereas the independent production sector, as well as the creative community, need a more competitive environment, and the possibility of access to the private sector as well as to the public.

9. OCCASIONALLY, THE SUGGESTION IS PUT FORTH THAT PRIVATE STATION LICENCE FEES BE RAISED, BUT THAT CREDITS COULD BE EARNED AGAINST SUCH FEES THROUGH MEETING OR EXCEEDING CONTENT CRITERIA. DO YOU FAVOUR THIS SUGGESTION?

A: As I stated before the Committee on September 22, "We are exploring ways that could make private broadcasters want to produce Canadian programming and feel that it is in their interests to present Canadian programming, instead of feeling forced to carry Canadian programming. That has not worked in the past."

As I said in the above response, the notion of earned credits towards the cost of a licence fee or, for that matter, earned regulatory points for Canadian production, is just one of the approaches we are looking at. It is simply a question of producing the desired Canadian programming by different methods, in this case perhaps less onerous on the private sector, and ending up with more and better Canadian programming as a likely result. I believe that it is a most interesting concept that must be fully investigated to determine whether it could work effectively towards improving both the quantity and the quality of available Canadian productions in the years ahead.

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## PROVINCIAL BROADCASTING

1. IN YOUR CONSULTATIONS WITH THE PROVINCES HAVE YOU RECEIVED ANY INDICATIONS THAT THEY ARE PREPARED TO PLAY AN EXPANDED ROLE IN PROVIDING CANADIAN TELEVISION PROGRAMS TO THE PUBLIC THROUGH THEIR PROVINCIAL BROADCASTING SERVICES?  
ARE THERE ANY INDICATIONS THAT ANY OF THE SIX PROVINCES WHICH DO NOT NOW HAVE BROADCASTING SERVICES ARE LIKELY TO ESTABLISH THEM?

A: In my presentation to the Committee on September 22, I expressed my agreement that the role of the provincial broadcasting services should be to provide educational broadcasting. I also noted that some have seen a possible conflict with the proposed new "public interest" specialty services. Allow me to elaborate on the complex issue of provincial broadcasting.

When the provincial services were launched early in the 70's, there were only a few TV services available in most areas. In order to protect the interests of the existing conventional broadcast services and to avoid exploitation of these services in the federal-provincial atmosphere of that period, a compromise was reached which led to the creation of broadcasting undertakings belonging to and within the content jurisdiction of the provinces themselves. One of the ways in which this was accomplished was through an Order-in-Council specifying their programming fare as "educational" and spelling out the special category of programming they could supply, while under the regulatory purview of the CRTC.

In the meantime, the Canadian broadcasting system has evolved from a relative scarcity of available services to an abundance of general and specialized viewing options, including the services available from the provincial broadcasters.

It is, therefore, perhaps appropriate at this stage to leave it up to the CRTC and to the provincial governments concerned to spell out the role and contribution expected of each of the provincial educational services in the Canadian broadcasting system. This would permit significantly different developments in the various regions and in the English and French-language contexts. Along these lines, it is perhaps worth considering some modification to the Order-in-Council covering provincial educational services.



Some of these services have demonstrated an interest in, or inclination towards, more general-interest programming, and towards the provision of specialty service in order to achieve greater exposure for their provincial voices. For example, Radio Quebec and TV Ontario were actively involved in one of the applications before the CRTC for a new French-language service (TV-5, North America).

With respect to the second part of your question, I am not aware that any of the other six provinces which do not operate educational broadcasting services are likely to establish them in the near future. The Atlantic Provinces would clearly like a more individually satisfactory arrangement than the present satellite consortium, British Columbia has an as yet unlicensed service, and the Northern Territories have expressed interest in establishing a service, if and when funding is available.







